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India's budget
Playing to a fragile coalition
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Nationalism
Of ethnicity and tribalism
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World Business Newspaper
WEDNESDAY JULY 24 1996

White House says TWA probe focusing on terrorism theory

The White House said chemical residue had been found on debris and some victims' bodies recovered from the TWA crash site, leading investigators to focus more firmly on the possibility of a terrorist bomb. White House chief of staff Leon Panetta said terrorism was the theory which investigators were "looking most closely at", though he stressed that it was too early to draw firm conclusions. The Federal Bureau of Investigation, which is directing the inquiry, had earlier discounted reports of the discovery of bomb residue on debris. TWA families contact lawyers, Page 7

Atlanta Olympics organisers face lawsuit from Europe TV

The European Broadcasting Union – the second-largest Olympic broadcast rights holder after US network NBC – is considering suing the organisers of the Atlanta Olympic Games for breach of contract after complaining that poor working conditions had undermined television coverage. Page 14; Olympics round-up, Page 8

Docks de France accepted an improved bid from the Auchan group. The deal will create the fourth largest French supermarket group, with combined 1995 sales of FFr111bn ($22bn). Page 15

EU move on anti-Cuba law threatened: British moves to protect its sovereignty has threatened European Union plans to retaliate against controversial US anti-Cuba legislation. Page 7

Daewoo pledges to create French jobs: Korean conglomerate, Daewoo, has told the French government it will create 5,000 jobs within five years if it is allowed to buy the multimedia arm of Thomson following the defence and electronics group's privatisation. Page 15; Daewoo to invest $500m in Morocco, Page 6

UN warns of steel glut: The United Nations warned that the world is heading for an oversupply of crude steel capacity in the next few years, as output threatens to outstrip demand. Page 5

No new Ariane 5 launch until next year:

European Space Agency director-general Jean-Marie Luton (left) told a Paris press conference that the launch of the second Ariane 5 was likely to be postponed until next year. Software errors in the rocket's guidance system were officially blamed for the failure of the first Ariane 5 which veered off course 40 seconds into its maiden flight in June. Page 6

EU angered over Asean move: The European Union has accused the UK and France of a lack of trust after they applied for membership to the Asean Regional Forum, a caucus for debating security issues in Asia, even though they are already represented by the EU's membership. Page 4

Dutch deficit rises: Dutch finance officials brushed off fears that a rise in the budget deficit, to at least 3.7 per cent of gross domestic product last year, could present any severe problem in meeting criteria for European monetary union. Page 2

Aérospatiale chief moves to SNCF: The chairman of French aerospace group Aérospatiale, Louis Gallois, is to take over as head of the state-owned railway company SNCF. Page 2

Filofax shares drop 40%: Shares in personal organiser group Filofax fell nearly 40 per cent after a surprise profits warning following poor sales in Japan and the US and a re-organisation at its main UK customer. Page 15

US repeats Boutros Ghali opposition: The US ambassador to the UN, Madeleine Albright, said Washington would not reverse its decision to oppose Boutros Boutros Ghali re-election as UN secretary-general. Page 7

Bertelsmann and Kirch, German entertainment and media groups, are close to an agreement to launch a standard decoder for digital television, ending a bitter struggle. Page 17

Spanish ETA leader arrested: French police commandos arrested a senior leader of the Basque separatist guerrilla group ETA in a joint operation with Spanish police.

Compromise on N-test ban: Russia and the US said they had agreed to support a compromise treaty banning nuclear weapons tests and hoped it could be approved when negotiators reconvene next week. US call to help Korean N-pact, Page 4

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,411.28	(+20.34)
NASDAQ Composite	1,068.90	(-14.49)
Europe and Far East		
CAC40	1,982.23	(+21.90)
DAX	2,475.07	(-7.33)
FT-SE 100	3,708.4	(+27.1)
Nikkei	21,153.69	(+158.06)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.29%
Long Bond	97⅜
Yield	7.013%

OTHER RATES

UK: 3-mo Interbank	5¾%	(same)
UK: 10 yr Gilt	97⅛	(97⅝)
France: 10 yr OAT	106.25	(106.20)
Germany: 10 yr Bund	98.88	(98.96)
Japan: 10 yr JGB	97.4922	(97.6162)

NORTH SEA OIL (Argus)

Brent Dated	$19.50	(19.235)

GOLD

New York Comex		
(Aug)	$385.5	(385.5)
London:		
close	$383.7	(384.82)

DOLLAR

New York lunchtime		
£	1.5518	
DM	1.4885	
FFr	5.044	
SFr	1.2135	
Y	107.87	
London:		
£	1.5608	(1.5499)
DM	1.4887	(1.4863)
FFr	5.0422	(5.0308)
SFr	1.2128	(1.2091)
Y	107.955	(107.70)

STERLING

DM	2.3104	(2.3035)
Tokyo $ close:	Y 107.375	

Albania	LEK 220	Germany	DM4.00	Lithuania	Lts 15.00	Qatar	QR13.00		
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12		
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30		
Belgium	BFr75	Hungary	Ft230	Morocco	MDh18	Slovak Rp	Sk65		
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00		
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250		
Denmark	DKr16	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20		
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70		
Estonia	EKr 22	Japan	Y600	Pakistan	Rs40	Syria	S£85.00		
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750		
France	FFr12.00	Kuwait	Fils650	Portugal (mainland)	Es240	Turkey	L90,000		
		Lebanon	LL3,000			UAE	Dh12.00		

Threat to Anglo-French defence deal

Delays in UK cabinet jeopardise BAe and Matra link

By Bernard Gray and George Parker in London

An agreed joint venture between British Aerospace and Matra of France was thrown into doubt yesterday when the British cabinet postponed approval of defence orders worth more than £3.5bn ($5.46bn).

The decision, which came after a fierce battle between the defence and finance ministries, could also disrupt plans by BAe and Matra to bid jointly to buy the Thomson-CSF, the defence electronics company due to be privatised by the French government shortly.

Mr Jacques Chirac, the French president who is thought to support Matra's bid for Thomson, yesterday telephoned his British counterpart, Mr John Major, in a last-ditch effort to get the project cleared.

The delay in announcing orders for maritime patrol aircraft, cruise missiles and anti-tank weapons came after a successful campaign by Mr Kenneth Clarke, the British finance minister, to have the orders reconsidered as part of this year's tough public spending planning.

Mr Clarke wants a deep cut in public spending to allow pre-election tax cuts, and has identified the Ministry of Defence budget as a prime target.

Mr Michael Heseltine, the deputy prime minister, has now been asked by the prime minister to adjudicate in the dispute between the Treasury and the Ministry of Defence. He may try to award the contracts while still meeting tough Treasury spending targets.

Backbench Tory MPs, the Royal Air Force and defence companies were all furious at the delay, which is a serious reverse for Mr Michael Portillo, the defence minister. Mr Portillo had banked on producing good news for the armed forces as one way to restore his credentials as a future Conservative party leadership candidate.

The postponement is likely to lead to serious problems for the defence industry. Companies will have to keep bidding teams in place for several more months, which will cost millions.

The most serious impact is on the proposed alliance between BAe and Matra. In May the two announced they had reached "commercial agreement" on pooling their missile businesses, but the deal still requires French government approval.

Last year the French government publicly insisted that the BAe-Matra team should be awarded Britain's £600m cruise missile contract before the venture could proceed, a threat which the MoD rejected. While everyone involved in the deal says that the condition has been dropped, the French government will not approve the merger unless the contract is awarded to Matra and BAe.

If the cruise decision is delayed until the autumn, the merger will not proceed and the two will not have time to finalise their bid for Thomson.

Air Chief Marshal Sir Michael Graydon, the head of the RAF, was also thought to be "extremely concerned" about the delay. He has staked a considerable part of his personal reputation on supporting cuts in RAF personnel, but has argued that the service would be more effective with the new weapons it was due to get.

Daewoo pledge, Page 15

US airlines demand halt to talks with UK

By Michael Skapinker in London

Six US airlines have called on President Bill Clinton to suspend "open skies" negotiations with the British government, alleging that the UK plans to use the proposed alliance between British Airways and American Airlines to restrict competition.

The airlines said in a letter to Mr Clinton that the negotiations, which are due to resume in Washington next week, should be halted until the US Department of Justice had completed its investigation of the alliance.

The alliance, announced last month, provides for the two airlines to co-ordinate their flight schedules and share revenues from transatlantic operations. The airlines would together control 60 per cent of UK-US traffic.

In another development, Mr Ian Lang, UK trade and industry secretary, said he would lay regulations before parliament to allow him to investigate the alliance in conjunction with the European Commission. The Commission has launched its own inquiry into the BA-American deal and five existing airline alliances under Article 89 of the Treaty of Rome.

The Commission has never before conducted a full investigation under Article 89. The UK inquiry would take place under Article 88 of the treaty, which has also not been used before in the UK. Article 88 allows EU member governments to rule on whether abuse of a dominant market position has occurred.

BA said last night that it welcomed Mr Lang's announcement because it made it clear that the UK government was the competent authority to investigate the alliance on behalf of the EU. The proposed alliance is also being investigated by the UK Office of Fair Trading, which is considering whether to refer it to the Monopolies and Mergers Commission.

The letter by the six US airlines adds considerable weight to the campaign to block the alliance, which has been supported by Virgin Atlantic of the UK. The letter has been signed by some of the most powerful figures in US aviation, including Mr Ronald Allen, chairman of Delta Air Lines, and Mr Gerald Greenwald, chairman of United Airlines.

The executives told Mr Clinton that "we are worried that the UK is seeking ... to manoeuvre the US into an agreement which, in practice, will prove to be far less than 'open'."

They added: "In the field of international trade, tigers do change their stripes but they seldom do it overnight. For years the UK and its flag carriers have insisted upon the most restrictive interpretation of one of the most restrictive aviation agreements in existence. Suddenly, to secure US approval of an alliance ... they profess a willingness to abandon completely their protective policies.

"The question that immediately comes to mind is whether this is an actual philosophical conversion or whether the British believe they can manipulate circumstances to maintain an even more protective environment under the false banner of open skies."

The airlines said an open skies agreement would still leave London's Heathrow airport substantially closed to foreign competition.

David Levy (left), Israel's foreign minister, yesterday met Yassir Arafat, president of the Palestinian Authority, marking the first high-level dialogue between the new rightwing Israeli government and the Palestine Liberation Organisation Report, Page 14 Picture: Reuter

Speculation mounts over rival bids by Korean companies for Kia Motors

Samsung takes 5.1% stake in Hyundai

By John Burton in Seoul

Samsung has built up a 5.1 per cent stake in Hyundai Motors, the carmaking subsidiary of Hyundai, leading to speculation that South Korea's two largest conglomerates may be preparing competing bids for the independent Kia Motors.

Takeover rumours have been swirling around Kia, Korea's second-largest carmaker, since Samsung made an unsuccessful grab for the company three years ago.

Samsung said its interest in Hyundai Motors, accumulated gradually this year, was purely a portfolio investment, but it has come just before the abolition of Korea's ban on hostile corporate takeovers next year. At yesterday's closing market price of Won 31,200, up Won 200, Samsung's stake was worth some Won63,980bn ($78.6m).

Hyundai officials regard the purchase as a move to prevent Hyundai from blocking a possible renewed bid for Kia by Samsung.

Hyundai views a Samsung/Kia merger as a threat to its position as Korea's leading car producer. Hyundai and its allies have built up a stake of almost 10 cent in Kia over the past year to protect it from a possible renewed bid by Samsung.

Samsung is now the third largest shareholder in Hyundai Motors after Japan's Mitsubishi with 11 per cent and Hyundai Heavy Industries with 9.9 per cent. Although Samsung is building its own car plant to produce 500,000 vehicles, beginning in 1998, it is believed to be interested in acquiring Kia as a shortcut to achieving its production target of 1.5m cars by 2010. Kia currently has capacity to produce 1m vehicles a year.

Kia has vowed to maintain its independence. Any hostile takeover attempt is unlikely to occur until the ban on hostile corporate takeovers is abolished.

It hopes to strengthen its defences against a bid by having

Continued on Page 14

Farm spending freeze urged in bid to meet Emu targets

By Lionel Barber in Brussels

France and Germany are leading efforts to hold European Union spending on agriculture in a race to meet the Maastricht targets for economic and monetary union next year.

The Franco-German campaign has won the support of a majority of member states ahead of a meeting of EU budget ministers in Brussels tomorrow . "This shows how Emu is driving the whole budget process," said a senior Commission official.

Ministers will tomorrow discuss plans to hold the 1997 EU budget at 1996 levels or around Ecu90bn ($111.6bn) – a cut in real terms of Ecu2bn. The aim is to shave Ecu1bn from the Ecu42bn farm budget and Ecu1bn from Ecu20bn in aid to poorer regions.

The UK, Austria, Finland, Italy, the Netherlands and Sweden support the austerity drive, according to a senior EU diplomat. But the threat to reduce regional aid has provoked concern among net recipients, notably Spain. These countries are already worried about losing their share of funds when the EU expands membership to the poorer countries of central and eastern Europe around the turn of the century.

Another obstacle to a budget agreement this week centres on the attitude of the European Parliament, which has the last word on "non-obligatory" spending in internal and external policies such as environmental projects.

MEPs would like potential savings on agricultural spending to be allocated to the reserve which is under their control. At present, the Council of Ministers has the final word on farm spending because it is categorised as "obligatory". MEPs are also flexing their muscles in order to influence negotiations in the Maastricht treaty review conference – the intergovernmental conference – particularly their powers over the budget.

The issue at this week's ministerial meeting is whether the Commission can arrange a compromise between the forces of austerity for 1997 and those who want to increase spending in 1998 and 1999 on measures to boost growth and employment.

Mr Detlev Samland, chairman of the parliament's budgetary committee, warned that "if there is no upward revision in the financial ceiling for 1998 and 1999, you will get less savings in 1997".

The Commission is walking a fine line. It wants to keep the lid on EU spending to damp expectations of an increase in the EU budget to cope with eastern enlargement. On the other hand, Mr Jacques Santer, president of the Commission, is still pressing for a commitment to use savings to kickstart financing of the trans-European transport networks and EU research and development projects. All sides concede that the scare over mad cow disease (BSE) could scupper hopes of big budgetary savings.

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First trade delegation in four years has three-hour meeting with Milosevic

Bosnia and Belgrade seek to rebuild ties

By Laura Silber in Belgrade

A high-level trade delegation from Bosnia yesterday met their opposite numbers in Belgrade in the first such visit since war began four years ago. Mr Ejup Ganic, Bosnia's vice-president, led a 15-strong delegation of trade officials and senior politicians in a two-day visit aimed at forging economic links with the Serbian regime, widely seen as responsible for fomenting war in former Yugoslavia.

"It is a risky step for me, but a very safe and sure step for Bosnia-Hercegovina," said Mr Ganic, before nearly three hours of talks with President Slobodan Milosevic of Serbia.

Diplomats hailed Mr Ganic's mission, which included ministers from the Moslem-Croat Federation and Bosnian businessmen, as an important step towards establishing lasting peace in the Balkans.

The Bosnian visit was aimed at further isolating the Bosnian Serb leadership by establishing direct ties between Belgrade and Sarajevo. It was announced last week by Mr Richard Holbrooke, the US envoy, during a round of shuttle diplomacy primarily focused on ousting Mr Radovan Karadzic, the Bosnian Serb leader wanted for war crimes.

Diplomats said the visit was also intended to step up pressure on Mr Milosevic, who wants to win recognition for Serb-led Yugoslavia and rejoin international financial institutions. "Right now, the country is facing several suits abroad. Milosevic hopes that the visit will help cool off the situation," said a western diplomat.

"The two countries are closer than before. It was a business-oriented meeting," Mr Ganic said after talks with Mr Milosevic, adding that the two countries had already recognised each other.

In spite of the agreement between the Moslem-led Bosnian government and Serb-led Yugoslavia last November in Dayton to establish diplomatic, trade and communications links, little headway has been made so far.

Under tight security, Mr Ganic's delegation, which included Bosnian banking officials and company managers, also held talks with the Serbian Chamber of Commerce and local businessmen. The two sides discussed restoring air, rail and telephone links.

Mr Vlajko Stojilkovic, head of the Serbian Chamber of Economy, said yesterday: "Serbian companies are ready to participate in the reconstruction of Bosnia."

His counterpart from Bosnia, Mr Ante Domazet, said he was counting on the politicians in the delegation to create the framework to renew economic co-operation.

Bosnia has been promised nearly $5bn in reconstruction aid over the next four years, but Serb-led Yugoslavia remains cut off from all international financial organisations. After 41 months of economic sanctions, which were suspended last November, and footing the bill for the Serb forces fighting in Croatia and Bosnia, the flagging Serbian economy would welcome any foreign trade.

Cut in German repo rate expected

By Andrew Fisher in Frankfurt

The Bundesbank is expected to cut one if its key interest rates – the securities repurchase (repo) rate – when it holds its last council meeting tomorrow before the summer break.

The latest in a series of hints came yesterday from Mr Ernst Welteke, a council member, who said the Bundesbank would "seriously discuss" whether recent data necessitated a change in policy. If so, this would only concern the repo, he told the Handelsblatt newspaper.

Mr Welteke, president of the Frankfurt-based regional central bank for the state of Hesse, noted that money supply growth had eased and referred to the "not easily understandable" weakening of the dollar. His comments increased the expectation that the bank would allow the repo rate, which determines money market rates, to fall by lowering the present fixed rate tender or switching to a variable rate tender.

Mr Jürgen Pfister, economist at Commerzbank, said: "We believe something will happen on the repo." He pointed to economic uncertainty, nervousness about the stronger D-Mark, low inflation and moderate wage rises as factors that could prompt the Bundesbank to act. Ms Alison Cottrell, economist at PaineWebber International, agreed. "They clearly have to do something."

Mr Peter Lang, economist at Bayerische Vereinsbank, saw a 50-50 chance of a repo cut. "Two weeks ago, I thought it unlikely that this would happen." He said the signs pointing to a further easing in monetary policy had strengthened.

The Bundesbank left the repo rate unchanged when it cut the discount and lombard rates by half a percentage point to 2.5 per cent and 4.5 per cent in April. Mr Hans Tietmeyer, the central bank's president, then said it would see whether there was scope to lower the repo rate further, and repeated this last week.

Economists believe evidence that the economy is stuttering and money supply growth decelerating has provided scope for a repo cut. Last week, they were surprised at the decline in the Ifo economic research institute's business sentiment index for June. Yesterday, Ifo said the manufacturing component of the index also declined over May.

Slower money supply growth also nourished hopes that the repo rate would decline, initially to 3.20-3.25 per cent and later to 3 per cent. M3's annualised growth rate slipped to 9.6 per cent from 10.5 per cent in May. This is still high, though, compared with the 1996 target range of 4-7 per cent, which the Bundesbank is expected to confirm tomorrow.

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Prime minister Juppé: hard-pressed to find a solution to mass unemployment, 'the gangrene of society'

Juppé steps up push to share out dwindling number of jobs

David Owen on France's search for answer to mass unemployment

If you cannot create enough work for everyone who wants it, then you should share out the work that is available more fairly.

That, in essence, is the theory behind the drive to reduce working hours being pursued ever more diligently by the French government of Prime Minister Mr Alain Juppé.

With the number of jobless, at 3.145m, within 11,000 of its highest level ever and important sectors such as defence and financial services continuing to shed labour at a rapid rate, the prime minister is desperate to find a way to bring unemployment substantially down.

It was he, after all, who said in May 1995 that his government would be judged by whether it could reduce "mass unemployment, the gangrene of society".

But with government spending under the tightest of reins and the economy stubbornly refusing to pick up, his options are limited. Encouraging companies to cut their normal working time to 32 hours a week is among the approaches he has hit on to generate an improvement.

Earlier this month, Mr Juppé held a job summit with employer and union representatives at which he again urged that the problem be addressed.

It is easy to see how the idea of encouraging people to work three or four hours fewer a week to create work for others would appeal to the French sense of *égalité* and *fraternité*. But it is equally easy to appreciate why employers might worry that such a move would impair efficiency.

Indeed, the Patronat, the French employers' federation, describes the government's idea as "a false solution". It argues that countries where people work the longest hours tend often to have low rates of unemployment and suggests that by taking this position the government is accepting that the size of the employment "cake" cannot get any bigger.

At the summit this month the prime minister criticised a number of sectors for not yet having started negotiations as they had agreed to do last October.

"This situation does not seem normal to me," he said. "The expectations of our fellow citizens are very strong."

Some companies are seeking to turn the situation to their advantage, principally by seeking to tie a reduction in working hours to other objectives.

One large company that has gone down the 32-hours-a-week route is Philips Consumer Communications, an arm of the Dutch electronics giant. The group recently decided to make Le Mans, south-west of Paris, its worldwide centre for mobile phone production. Manufacturing capacity at the plant is currently 6,000-7,000 telephones a day.

The company has combined the move to shorter working hours with a switch from a five to a seven-day week. According to Mr Claude Hervouet, the Le Mans plant manager, the revised work plan means that the factory can operate 24 hours a day for about 355 days a year.

This is important, he says, because cellular phone manufacturing is a much more capital-intensive activity than making the cordless phones that the factory used to turn out. It is vital not to have expensive machinery standing idle.

The re-organisation has resulted in the company taking on 400 employees to add to the 500 already in place. It says about 50 of these new jobs are linked to the reduction in working hours.

Since none of the employees now working 32 hours a week will earn less than they did when working 35 hours a week, the adoption of the shorter working week involves a definite cost for Philips. (In addition, those working Fridays, Saturdays and Sundays will work only 24 hours a week.) But Mr Hervouet outlines a number of ways in which this cost will be offset.

First, with the number of hours worked at the factory up by 40 per cent, fewer production lines are needed to reach a given level of output. This cuts down on investment costs, particularly in cases where an increase in factory floorspace would have been necessary to accommodate the additional production lines required under a five-day regime.

Second, the productivity of the workforce may improve because they are working fewer hours.

Third, Philips may qualify under a new law for a reduction in social security charges. Companies which reduce their working hours by 10 per cent and take on a corresponding proportion of new workers should so qualify.

Strictly speaking, Philips's reduction from 35 to 32 hours a week does not quite cross the 10 per cent threshold. But Mr Hervouet is hoping that the odd periods when workers are nominally on duty but are not actually at their jobs will be taken into account.

"In our case," he says, "the number of effective working hours will go down by more than 10 per cent. If they take into account only the hours when workers are present, rather than the number of effective hours, we get nothing."

The arithmetic of the Philips case suggests that a move to a shorter working week may be practicable for other French companies in capital intensive industries. The French government is investing a great deal of hope in this happening.

Havel bid to avert political crisis

By Vincent Boland in Prague

President Václav Havel yesterday called on Czech political leaders to set aside their differences. He was speaking at the start of a parliamentary debate that will make or break the three-week-old government of Mr Václav Klaus.

Addressing a tense parliament before it began debating a confidence motion on the minority government, Mr Havel appealed to the "statesmanship" of MPs to end the deadlock that has gripped the country since an inconclusive election last month.

He stressed the broad areas of agreement on policy issues between the centre-right coalition and the main opposition Social Democrats (CSSD), and indirectly warned Mr Miloš Zeman, CSSD leader, that to be an effective opposition leader it was necessary to have a government to oppose.

"I am confident the government will get your backing," Mr Havel added, describing the coalition (made up of the same three parties as in the old government and with a largely unchanged cabinet) as "a qualified and well-mixed team".

Voting on the motion is expected today, with Mr Klaus tipped to win. But his centre-right coalition has only 99 of parliament's 200 seats and there is uncertainty over where he will find the extra votes – or the abstentions – he needs to guarantee him victory.

There is speculation that some opposition MPs will absent themselves before the vote. Mr Klaus needs only a simple majority of deputies present in parliament to win.

Mr Havel's presence in the chamber of deputies testified to the historic dimensions of the occasion. Not since the First Republic, between the two world wars, when minority governments were common in Czechoslovakia, has parliament assumed such importance in Czech politics.

Aware of this, MPs crowded into the chamber for a debate billed as a showdown between Mr Klaus and Mr Zeman, and a key test of the fledgling Czech democratic process.

Except for deputies from the far-right Republican party, who accused the president of being partisan and walked out before he spoke, MPs briefly united to give Mr Havel a warm reception. He has won praise for his role as a neutral broker in attempts to end the stalemate.

Mr Klaus then delivered his government's policy programme in a speech promising lower income tax, decentralisation, a continued commitment to privatisation and economic reforms, and early integration with the west.

Later Mr Jiri Honajzer, a vice-chairman of parliament and a member of Mr Klaus's Civic Democratic Party, said the final confidence vote would come only after a long debate. "The vote will come either tomorrow afternoon or Thursday morning," he said.

Aérospatiale chief moves to rail

By David Owen in Paris

Mr Louis Gallois, head of the French aerospace group Aérospatiale, is to take over as chairman of SNCF, France's state-owned railway company.

His switch to terrestrial transport will fill the gap left by Mr Loïk Le Floch-Prigent. The latter resigned as chairman recently following the rejection of his appeal against his detention in jail in connection with an inquiry into investments by Elf Aquitaine, the French oil giant, while he was chairman between 1989 and 1993.

However, the move seems less well timed from the viewpoint of Aérospatiale, whose merger with privately-controlled Dassault into a single aerospace group was confirmed only three weeks ago.

Mr Gallois had been expected to assume day-to-day control of a new executive *directoire* at the merged group. The merger is expected to be completed within six months. His decision earlier this year to throw his weight behind a radical restructuring of Airbus Industrie was also vital to the announcement this month that the four-country European aircraft manufacturing consortium is to be turned into a single company.

The move, which is expected to take three years to complete, is aimed at turning Airbus into a lower-cost, more focused competitor to Boeing of the US.

At SNCF, Mr Gallois will inherit responsibility for a sweeping restructuring plan which is intended to provide what Mr Bernard Pons, France's transport minister, has described as "an original French solution" to its problems. The company has run up losses of more than FFr35bn ($7bn) in the past four years.

This plan involves the takeover by the state of FFr125bn of SNCF's infrastructure-related debt, the scrapping of the company's cumbersome system of five-year plans, and an experiment with regionalisation.

Much attention will focus on whether Mr Gallois can achieve the same sort of rapport with the SNCF's volatile trade unions as Mr Le Floch-Prigent is widely acknowledged to have established in his short six-month stint at the company's helm.

Mr Gallois, 52, has spent much of his career at various posts in the ministry of economy and finance and the ministry of industry. He has been chairman and chief executive of Aérospatiale since 1992.

Others thought to have been considered for the railway post include Mr Frédéric d'Allest, managing director of Lagardère Group, the missiles-to-magazines conglomerate.

Finance Ministry confident it can meet Emu criteria despite rise to 3.7% of GDP

Dutch brush off fears over budget deficit

By Gordon Cramb in Amsterdam

The Dutch budget deficit rose to at least 3.7 per cent of gross domestic product last year, confounding expectations it would remain at the 3.4 per cent level of the previous year, the government's Central Bureau of Statistics said yesterday.

But Finance Ministry officials and the domestic bond market brushed off fears that this could present any severe problem in meeting Maastricht convergence criteria for European monetary union. Under these targets, public deficits should be no more than 3 per cent of GDP by 1997.

"When necessary it will be well under 3 per cent," a ministry official said, describing the figures from the independent unit as historical and out of line with its own calculations. "We are going in the right direction," he maintained. "They are scientists, we are more practical types."

The ministry expects the deficit as measured by Emu requirements to fall to 2.8 per cent this year and 2.6 per cent at most by 1997. Data for that the year will be used to assess eligibility for membership of the single currency group.

According to Mr Mark van der Kroft, bond market economist at ABN Amro Hoare Govett, the upward revision "shows that a lot has to be done, but the market is now more oriented to the 1997 budget" to be unveiled in mid-September. There was a strong enough consensus in the ruling coalition for measures that would achieve the necessary reduction.

Greater concern surrounds the level of Dutch public debt, which represented 79.6 per cent of GDP last year, well above a ceiling of 60 per cent for 1997 specified in the Maastricht treaty. "This will be more difficult to achieve," the ministry official acknowledged.

European Union leaders have given no clear indication on how flexibly they will choose to interpret the criteria, leaving open the possibility countries could be accepted which breach one or more limits as long as the data indicated a firm trend towards convergence. Dutch official debt is by no means on a distinct downward path, and by some measures may even be rising.

The statistics bureau, presenting its annual set of national accounts, revised GDP growth for last year downward to 2.1 per cent from its previously indicated 2.4 per cent, while growth in 1994 was restated at 3.4 per cent compared with 2.7 per cent.

The budget deficit for 1995 would have been as high as 9.2 per cent if special factors had not been removed. The underlying rise was blamed on a decline in revenues from tax and social security levies.

EUROPEAN NEWS DIGEST

IMF loan delay for Moscow

Russian and western officials yesterday sought to play down a decision by the International Monetary Fund to delay the July instalment of the $10.2bn three-year loan it extended to Russia this year.

But the hold-up could be a political embarrassment for the fund, whose senior officials last week praised Russia's economic performance lavishly. The loan to Russia is the second largest in the IMF's history and the fund, which has been criticised for being too soft on Moscow, has in large measure staked its reputation on the success of the Russian programme.

Western economists close to the negotiations said the IMF's main concern was plummeting rates of tax collection, which dropped below 8 per cent of gross domestic product last month, and could create a fiscal squeeze.

IMF economists, who are scheduled to return to Moscow next month to review the situation, are said to be demanding clear evidence that the government has begun to act on its repeated pledges to boost revenue collection. If the fund is satisfied with Russia's performance during the August review, it could receive both the July and August tranches of the loan, some $350m each. *Chrystia Freeland, Moscow*

Longer hours urged in Germany

Wage negotiators should agree to extend the working week in an attempt to reduce pay costs, Mr Hans-Peter Stihl, head of the Federation of German Chambers of Commerce, said yesterday. He was speaking as the IW economic research institute said wage costs needed to come down by 20 per cent.

"The shortening of working hours in recent years was a serious mistake that urgently needs correcting," Mr Stihl told the daily Bild Zeitung newspaper, saying a 40-hour week would be preferable to the current norm of around 37 hours which unions wish to shorten further.

"Shortening the work week while raising wages pushed wage costs up so high that hundreds of thousands of jobs have been lost," he said. Trade unions had to recognise there were only two possible ways of improving Germany as an industrial site – work more or have less money. *Reuter, Bonn*

Brussels steps up actions

The European Commission stepped up action in 1995 against member states who are not applying EU law, according to a report published yesterday.

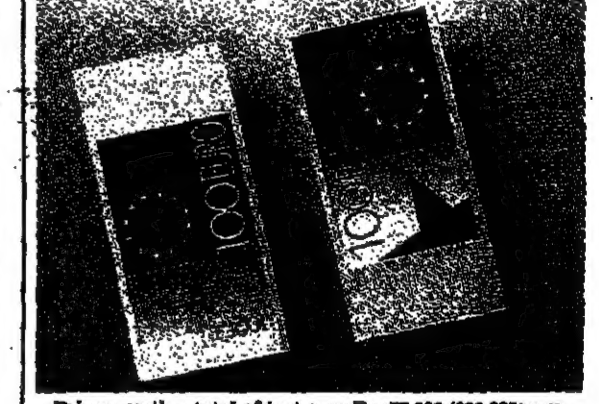
The Commission took 5,068 actions against member states last year compared to 4,802 in 1994. Cases included free movement of people, access to employment, the right of residence, sex discrimination, and the final abolition of the monopoly of port services in Genoa.

Denmark has the best record of giving effect to EU directives, with 97.9 per cent. The Netherlands is second with 97.2 per cent, and the UK third with 95 per cent. Spain, Luxembourg, Sweden, Germany, Ireland, France all beat the EU average of 90.7 per cent.

Austria (84.2 per cent) suffered because of delays in notifying farm legislation, while Finland's low mark (70.5 per cent) was due to the special autonomous status of the Aland Islands. *Lionel Barber, Brussels*

Thirteenth annual report on monitoring the application of Community law. The European Commission, Brussels. Catalogue number CB-CO-96-280-EN-C. ISBN 92-78-05147-0.

Euro design prizes awarded



Prizes worth a total of just over Ecu75,000 ($93,000) were awarded to the best designs for the euro in an unofficial competition aimed at stimulating public awareness in the planned single European currency. The first prize of Ecu20,000 for the design of euro banknotes (pictured above) was awarded to the Barcelona-based team of José-Maria Codina and Jean Fontanals. Andreas Karl of Frankfurt won the Ecu10,000 prize for the design of euro coins. *Lionel Barber*

Turkish hunger striker dies

A second Turkish hunger striker died in an Istanbul prison yesterday, two months after Kurdish and far-left detainees began a mass hunger strike in protest at conditions and harsh treatment in Turkey's prisons. Mr Altan Berdan Kerimgiller died two days after the campaign's first death. Human rights campaigners say about five other prisoners are close to death out of the 300 believed to be on hunger strike.

The new Islamist-led government has relaxed some controls, and hundreds of Kurdish prisoners have broken off their strike. But members of leftwing urban guerrilla groups held in 33 prisons vowed to continue their protest. They want the government to stop dispersing them to prisons around the country and to move prisoners out of the notorious Eskişehir jail, known as "the coffin house". Security officials claim the prisoners had transformed Turkey's main jails into no-go areas and were even training there. Yesterday, the French government urged Turkey to improve prisons conditions and end the hunger strike. *John Barham, Ankara*

Novartis to cut 7,400 jobs

Novartis, to be created from the planned merger of Ciba Geigy and Sandoz, the Swiss pharmaceutical companies, said yesterday it would cut 10 per cent of its 7,400-strong German workforce. The new company said production in Nuremburg, where Sandoz has its headquarters, would be shut down and business switched to other sites. A Munich-based production plant would also be closed by the end of 1998. Wehr, Ciba-Geigy's headquarters, would become the headquarters for the combined operations. *Reuter, Wehr*

Slovak trade deficit widens

Slovakia's foreign trade deficit in the 1996 first half widened to Sk26.975bn ($900m) from Sk25.630bn during the first five months, spurred mainly by rises in imports of vehicles, fossil fuels and electric energy, the Slovak Statistical Bureau (SUSR) said yesterday. Exports growth was also sluggish.

June's contribution to the overall deficit was Sk1.344bn, down from a May gain of SK4.044bn. Exports grew 2.1 per cent year-on-year in the first half, but imports jumped 23.6 per cent. According to the SUSR, fossil fuels and mineral oils made up Sk26.2bn of overall imports of Sk154.6bn.

Slovakia's most exported commodities in the first half were iron and rolled steel, accounting for Sk18.89bn of total exports of SK127.59bn. The Czech Republic remained Slovakia's biggest trading partner, accounting for 32.1 per cent of exports and 25.5 per cent of imports. Germany followed with a 20.2 per cent of total exports, and Austria was third with 5.9 per cent. *Reuter, Bratislava*

■ France's industrial production, excluding food and energy, fell a seasonally adjusted 0.2 per cent in May from April, Insee, the statistics office, said. Output excluding food and energy was unchanged in April, revised from an earlier estimate that it declined 0.1 per cent. *AFX, Paris*

Georgia charm tests the bravest

Atlanta's cross-country equestrian course, designed to epitomise the charms of 'rural Georgia', proved a harsh judge of visiting horses and riders on the second day of the Olympic three-day competition. Only the bravest and most capable riders scored well, with countless falls and retirements. If the course was cruel, the weather was kind. Protests that heat and humidity might kill or cripple the horses were wide of the mark as the weather proved mild.

Vets outnumbered horses at the start of the cross-country phase, with 80 veterinarians on duty to look after 64 competitors. Expecting high temperatures, the venue includes giant "car washes" to cool down overheated animals. Hangars 16ft tall are covered with shadecloth and have banks of fans spraying chilly water on the horses.

Australia, perhaps used to any hot weather, seized the lead, moving up from sixth after the dressage to displace the US at the head of the table. Britain's medal hopes diminished after a drop from second to fourth, while New Zealand waits for today's showjumping phase, still third.

Wendy Schaeffer led Australia's charge, with the fastest time of the early group, riding Sunburst bravely and quickly across the demanding course.

As she limped towards to the weighing room, the extent of Schaeffer's courage was vividly displayed. She broke her leg and had a steel plate inserted nine weeks ago.

Forty-five minutes later, her fellow countryman Phillip Dutton clipped two seconds off her time, followed by veteran Andrew Hoy, riding at his fourth Games, who provided the confident ride needed for Australia to take the lead.

Blyth Tait had been the first competitor out on to a dewy cross-country course and proved a true pace-setter. The New Zealand three-day-eventer rode faultlessly to set a standard few of the 60 riders could match.

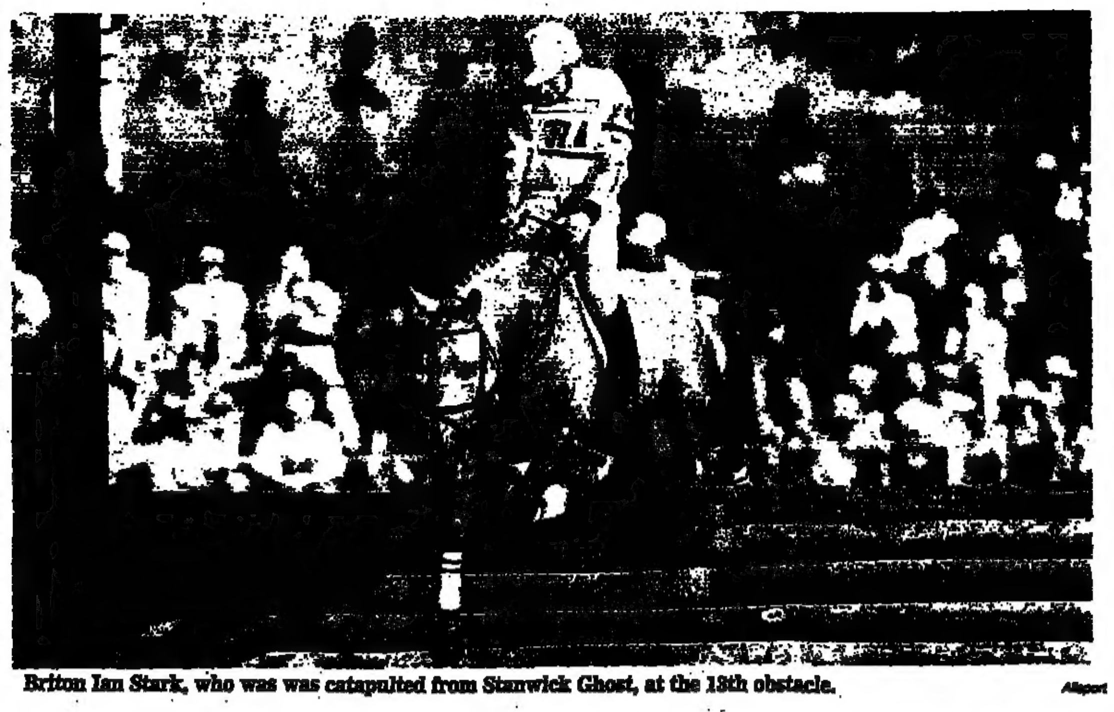
Team-mate Andrew Nicholson on Jagermeister II failed to cement the Kiwi team's move from overnight third to event leaders after a refusal at the second water-jump.

Ian Stark, Britain's senior rider, was catapulted from the saddle at the Costley's Mill, the 13th obstacle on the 25-jump course, when his mount Stanwick Ghost caught his left foreleg on the bank of the pond.

Wrongfooted, the grey gelding was out of his stride and crashed into the adjoining fence without taking off properly. Stark flew over Ghost's head and landed on the far side of the jump, but gamely remounted and finished the course.

Course designer Roger Haller said he had tried to build a track epitomising rural Georgia. The first fences on the 5,700m course were designed to resemble the front gates of a southern plantation, complete with soaring white pillars.

Keith Wheatley



Briton Ian Stark, who was was catapulted from Stanwick Ghost, at the 13th obstacle. *Allsport*

Reaching the event is an event in itself

My first encounter with southern hospitality at the Centennial Olympics came at the airport, where I was met by a bus driver with a smile and a map. The map was of Atlanta. But he was from Chicago.

Like many of the bus drivers who are shuttling spectators and media around the various Olympic venues, he was an out-of-town worker who had come to Atlanta specially for the Games.

He was courteous, but did not have a clue where he was going. He had four hotels to visit on his round trip, and had to ask directions every time.

It took me three hours for a trip which should have taken one, at the most.

He said he had not received very much instruction in getting round town, but had been handed the map and told to go ahead with his job. When he finally delivered me to my hotel, he was apologetic.

"I guess I'll learn the routes as I go on," he told me.

But many of the drivers still have not got the hang of driving round this congested city. One driver is reported to have abandoned her journey to Lake Lanier, venue of the canoeing, and turned back in tears.

Staff at the Media Transportation Centre, while unfailingly courteous, are beginning to show signs of wear because of the constant hassling from journalists.

One of the volunteers at the centre, whom I talk to during my long waits, said she had offered herself for work "to meet people from all over the world".

Her most meaningful cultural exchange so far came when she had to listen to "a whole load of cussin'" from some French journalists.

She reads from a pocket Bible in between buses, and wears a badge that says: "Let the Scriptures Speak", but that does not stem the flow of sharp words.

Perhaps the most apt words of all come from Texaco's prescient advertising campaign on US television, which ends with the slogan: "Getting the athlete to the events is an event in itself".

Atlanta's city planners do not look set for a medal right now.

Peter Aspden

A dearth of medals and hospitality

China, it seems, is having difficulty taking a trick at the Olympics, with its swimmers largely absent from the winners' rostrum and a star marksman blacking out with a gold medal within his grasp.

China's own media reporting of the country's Olympics performances has been less than triumphalist, reflecting disappointment that things have not gone better.

But Chinese officials and newspaper commentators have not been so reticent in their criticism of the US over what is perceived as its lack of hospitality – China's team was jeered into the Olympic stadium for the opening ceremony.

Wei Jizhong, China's Olympic committee chief, has written a stern letter about the Games' organisation to the International Olympic Committee, and he is unhappy at the IOC's reply that they are looking into it. "We are losing patience," he stormed.

Strong objections have also been voiced over what is regarded as an unfair singling out of Chinese athletes on suspicion of using performance-enhancing drugs. "After such unjust treatment inflicted by their hosts, the Chinese delegation cannot but ask when the Americans will get rid of their hegemonic mentality. We must ask what these jealous westerners have in mind," said the People's Liberation Army Daily.

The newspaper, which is the mouthpiece of China's three-million strong military, also complained bitterly about what it claimed were double standards in the treatment of athletes who tested positive for drugs, but managed to avoid exclusion from the games.

"Looking at the foreign athletes who tested positive but were not punished, we can see that even in the nineties the phantom of racism rides high," PLA Daily said.

Chinese papers have been silent, however, on the question of why China's much-vaunted women's swimming team has performed so poorly. At the world swimming championships in 1994 China won nine of 16 championship medals, but in Atlanta has only managed one gold medal so far.

One excuse advanced by a Chinese coach on the eve of the swimming competition was that swimmers had been woken by hoax night-time fire alarms, which affected their performances. The Chinese have also been complaining about the Atlanta heat – and food. It seems the Chinese food is not up to standard.

"Athletes need to take mini-trolleys from their room to the dining room, and no real Chinese food is served," complained a sports coach to China Daily. China is clearly hoping for better things from its star table tennis and badminton players, its divers and Wang Junxia, its freakish woman distance runner.

Tony Walker

ATLANTA DIGEST

HDTV sales surge after Japan victory

The surprise victory of the Japanese Olympic soccer team over world champions Brazil, combined with 269 hours of high-resolution Olympic broadcasting scheduled by Japan Broadcasting Corp, have helped boost sales of high-definition TVs, industry officials said yesterday. "Although sales were mediocre at the outset of the games, when Japanese athletes had been doing poorly, we have seen sales shoot up suddenly after Japan defeated Brazil," said an official at a Tokyo electrical appliance store. The high quality, wide screen TVs sell for Y400,000 ($3,700) for a 28in set. *Kyodo*

Armed intruder charged

A man armed with a knife and a pistol talked his way past security guards and entered the Olympics opening ceremony before being caught, Atlanta police revealed yesterday. Police said 55-year-old Mr Roland Atkins was arrested after duping security guards and entering the arena where President Bill Clinton and his family were joined by a large number of world leaders and VIPs for the ceremony. The man was carrying a .45 calibre pistol, 11 rounds of ammunition and a knife at the time of his arrest. He was charged with criminal trespass, carrying a pistol without a licence, and entering the stadium without a ticket. *PA*

Space age swimwear goes for gold

Swimming looks like a sport with little margin for technological improvement, but millions of dollars are invested in "waterwear technology" to help athletes cut hundredths of a second off race times. Speedo, one leading manufacturer, claims it has come up with its fastest swimsuit. The secret is in its stripes, alternatively smooth and rough. The rough side is coated with water-repellant resin. Water passes over the stripes at different speeds, helping to cut turbulence and drag. The technology is a spin-off from the US space programme, after Nasa found re-entry into the atmosphere was less turbulent if the space shuttle nosecone was rough. *Reuter*

Tennis

Men's singles, first round: M Rosset (Switzerland) beat H Arazi (Morocco) 6-2 6-3, T Henman (Great Britain) beat S Matsuoka (Japan) 7-6 (7-4) 6-3, A Gaudenzi (Italy) beat C Costa (Spain) 6-3 6-2.

Women's singles, first round: A Sanchez-Vicario (Spain) beat D Van Roost (Belgium) 6-1 7-5, M Maleeva (Bulgaria) beat R Stubbs (Australia) 6-2 6-1, J Wiesner (Austria) beat A Temesvari (Hungary) 7-6 (7-5) 6-4.

Equestrian

Placings after day two of three-day team event: 1 Australia 183.6, 2 US 244.6, 3 New Zealand 255.8, 4 France, 5 Ireland, 6 Great Britain (places 4-6 provisional)

Shooting

Men's 50-metre free pistol final: 1 B Kokorev (Russia) 668.4, 2 I Basinski (Belarus) 662.0, 3 R Di Donna (Italy) 661.8.

Hockey

Men's preliminary round, group B: Netherlands 2, Great Britain 2. Women's preliminary round: US 3, South Korea 2.

NEWS: ASIA-PACIFIC

Economic planning chief has secured backing for startling plan to deregulate tightly controlled Japanese economy

Top economist tries to overturn decades of Tokyo tradition

By William Dawkins in Tokyo

Many Japanese believe radical economic deregulation is needed to boost their maturing economy's capacity to grow, but it is hard to find anyone who also believes that such a thing is possible.

There is one startling exception: Mr Shusei Tanaka, an academic who is director general of the government's Economic Planning Agency, the equivalent of minister of economic planning.

Three weeks ago he startled the bureaucracy, which feels understandably reluctant to shed the most extensive regulatory powers of any government of an advanced economy, by issuing what is by Japanese standards a radical deregulation plan. It calls for simultaneous lifting of government controls in six sectors: computers and telecommunications; distribution; finance; housing and property development; employment; medical care; and welfare.

Even more startling, Mr Tanaka, a member of the smallest party in the three-partner government coalition, then obtained the conservative ruling Liberal Democratic Party's support for the scheme. Most political observers believe the plan will like many earlier schemes, be diluted by the flood of opposition from vested interests.

Undeterred, Mr Tanaka argues that his time has come. He knows the field of battle well, as adviser on deregulation to four governments over the past three years, and is a keen political tactician.

Much has changed since Mr Tanaka drew up his first deregulation plans under former prime minister Morihiro Hosokawa three years ago, the first non-LDP Japanese leader in nearly four decades. Mr Hosokawa was elected on a mandate for change. But the domestic economy was in the trough of the worst recession in 60 years, so the need to stimulate activity with heavy injections of state investment came first.

"Economic reform is like a surgical operation. You need physical strength to receive it. Otherwise, if you catch a cold, you may die. Over the past three years, we have accumulated the basic strength required to face economic reform," says Mr Tanaka. If Japan delays now, during the recovery, it might miss the chance, he warns.

Persuading bureaucrats, businesses and voters of the need to deregulate is, however, another matter. Contrary to the conventional wisdom that people lose interest in reform when the economy is recovering, Mr Tanaka believes the popular taste for change is growing.

His political contacts indicate mounting public concern that, despite the recovery, unemployment continues to rise – now at a record 3.5 per cent – and that manufacturing industry continues to desert Japan in search of lower costs and faster growing markets abroad. Both are symptoms of an economy constrained by rules and regulations.

"Despite our strength, there are defects and Japanese people are coming to understand this," he maintains.

Those defects were just as visible three years ago. But then, the US was pressing hard for the reduction of Japanese trade barriers at the very moment when the political mood was, as it is now, inimical to foreign pressure. But there is one vital difference. "The current feeling is that economic reform is for the benefit of Japanese, rather than foreigners," he explains.

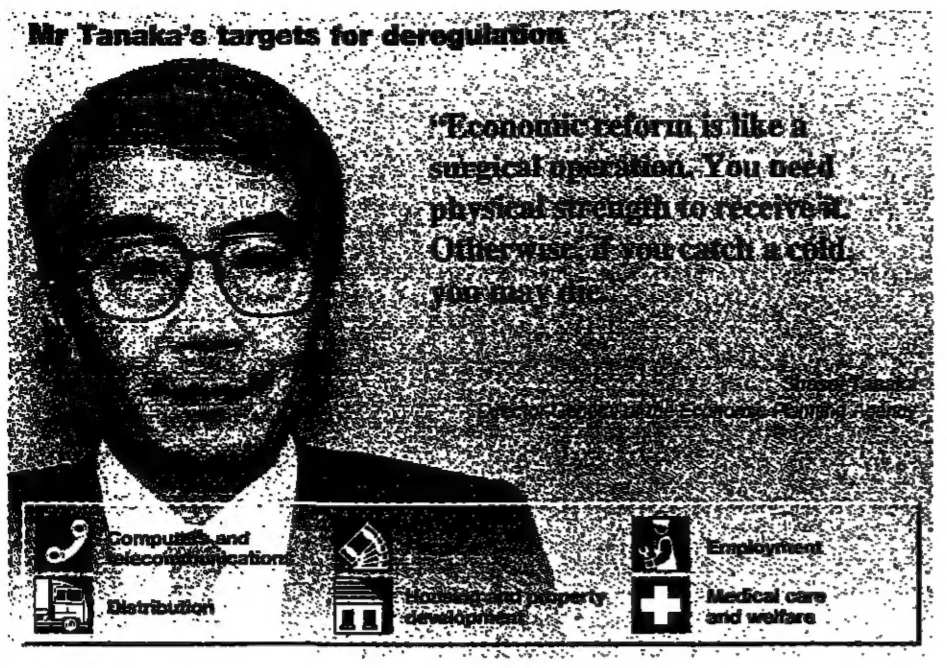
The other important change has taken place in the finance ministry, Mr Tanaka argues. It plays a decisive, usually conservative, role in deregulation because it is rarely possible to remove a barrier to competition in Japan without compensating the losers with a government support fund. Of course, the ministry holds the purse strings as well as control of financial regulations.

Contrary to the popular view, Mr Tanaka believes the finance ministry has always supported deregulation. But it has given the impression of resisting change because it has always wanted economic reform to proceed at a slow pace to maintain market stability.

But he believes the ministry has over the past year become more open to the rewards and risks of economic reform because it has become less able to afford repeats of the recent massive fiscal stimulation packages, like last September's record Y14,220bn ($129.4bn) public works and investment scheme. As the government's underlying annual budget deficit approaches 8 per cent of gross domestic product, ministry policy makers are more prepared to consider deregulation as a cheaper form of economic stimulus, he argues.

But the problem is, that in the finance ministry's hands, the pace of deregulation is still slow.

Mr Tanaka cites a Japanese proverb to the effect that a carp on the chopping board does not have the right to tell the chef which bits should be sliced off. The finance ministry, he says, is that carp.



Japan's economy is continuing to grow at a moderate pace and is showing better prospects for a self-sustained recovery, the Bank of Japan said yesterday in its quarterly economic outlook report, reports Michiyo Nakamoto from Tokyo.

The central bank once again stressed the need to maintain a policy focused on laying a more solid foundation for recovery, seeming to allay widespread market fears of an imminent hike in the official discount rate.

One of the reasons for Monday's sharp fall on the Tokyo stock exchange was fear that the BOJ would soon raise interest rates, but yesterday's report helped push the index up 158 points to 21,163.

Mr Shunsaku Hashimoto, chairman of the Federation of Bankers Associations of Japan, said yesterday that corporate fund demand for capital investment remained sluggish and would have to grow further to keep the recovery on track. Without further progress in investment, it was far from certain interest rates would go up, he said.

Meanwhile, leading indicators reported by the Economic Planning Agency, confirmed the modest pace of the recovery.

The coincident index of economic indicators, which gauges the current economic state, rose slightly in May and stayed below the key 50 per cent line for the third month in a row, the EPA reported.

The diffusion index of leading economic indicators, which predicts economic conditions in six months, however stayed above the 50 per cent line for the second month in a row, at 66.7 per cent, suggesting a pick-up in the near term.

Tax shadow over 'holy' sumo

William Dawkins on the scandal in the country's national sport

A fresh shadow was cast over the holy image of sumo, the Japanese national sport, yesterday when tax authorities ordered the country's top wrestler, Takanohana, and his family to hand over Y125.7m ($1.1m) in unpaid taxes and fines.

This is the first time that a *yokuzuna* (grand champion), normally afforded semi-saintly status, has fallen foul of the tax law in the history of Japan's national sport, whose origins go back to the roots of the Shinto religion itself.

The ruling came after an investigation by the Tokyo regional taxation bureau found that Takanohana, the grand champion, his elder brother Wakanahona, another star wrestler, and their father, Futagoyama, had failed to report nearly Y380m cash income in the three years to 1995. Of the total, Futagoyama was said to have failed to report Y300m.

This strikes at the heart of sumo at a time when the sport's reputation has been sullied by allegations of match rigging, mixing with gangsters, sexual misdemeanours and dope smoking.

Sumo wrestlers have long been known to handle cash more loosely than they handle opponents, but this is the first time the authorities have struck at the very top.

Last weekend, Takanohana won his 14th tournament, an achievement bettered by only four wrestlers, and he is one of the only two *yokuzuna* currently active. Fighters from the same stable have won each of the past eight tournaments, one of the best post-war scores of any stable.

In an attempt to maintain the dignity of their profession, the wrestlers yesterday assumed an air of bruised innocence. "I was shown by national tax authorities how to pay my taxes correctly and I will follow their recommendations," said Takanohana. His father, who will pay the lion's share of the fines, said the affair was "beyond my knowledge and experience".

Takanohana and his brother, who fights one rank below him, were between them ordered to repay Y40m in back taxes and their father Y86m.

The tax authorities found Takanohana had neglected to report a payment from a television network for the exclusive right to broadcast his wedding last year to Keiko Kono, a newscaster.

Wakanahona had overlooked Y9.3m in sundry cash handouts. Fans are prepared to pay hundreds of thousands of yen for the privilege of taking a wrestler out to dinner, or being photographed with him.

Futagoyama had failed to report the donation by his fan club of senior politicians and businessmen of a Y300m share in the Japan Sumo Association (JSA).

A book, Match Rigging, recently published by a retired wrestler, Ohnaruto, speculates that the intense competition to become a JSA shareholder has contributed to an increase in match rigging. He wrote that wrestlers are prepared to pay up to Y600,000 to buy a colleague's defeat, to avoid demotion and a pay cut.

Ohnaruto died in April, in the same hospital and within three hours of his manager. Later, the JSA issued criminal libel charges against his publisher and a magazine which had printed a series of articles by Ohnaruto. But by then, the damage had been done. Sumo experts in Tokyo believe the book had attracted the tax authorities' attention, leading to yesterday's fines.

Takanohana: tax problems

US call to help back Korean N-pact

By John Burton in Seoul

Mr Warren Christopher, US secretary of state, yesterday urged Asian countries to help finance a nuclear agreement with North Korea that is suffering from funding problems.

"Measured against the cost of heightened tensions, let alone armed conflict, such support is a responsible investment in the security and prosperity of the Asia-Pacific region," Mr Christopher told the Association of South East Asian Nations (Asean) regional security forum in Jakarta.

Under a 1994 US-North Korean agreement, Washington agreed to supply new nuclear reactors and energy supplies in return for Pyongyang scrapping its suspected nuclear weapons programme.

Mr Stephen Bosworth, head of the Korean Peninsula Energy Development Organisation (Kedo), the international consortium responsible for the North Korean nuclear reactor project, arrived in Seoul to discuss cost-sharing for the reactors.

South Korea's Korea Electric Power, the project's prime contractor, estimates building the two light-water nuclear reactors will cost $5bn.

South Korea is expected to offer $3bn, while Japan will provide another $1bn. This leaves a $1bn shortfall which Kedo hopes will be filled by the European Union and Asian countries. The US is leading the Kedo project, but has only pledged a "symbolic amount".

EU angry at UK, France on Asean move

By James Kynge in Jakarta

The Asean Regional Forum, a caucus for debating security issues in Asia, yesterday said it might grant membership to the UK and France, even though both countries are already represented through the European Union's participation in the grouping.

The forum brings together foreign ministers from 20 countries as well as the EU.

It allows China, Russia, the US, Japan, India and others to debate security issues in an open forum once a year with the seven members of the Association of South East Asian Nations (Asean) – Malaysia, Thailand, Indonesia, Singapore, Brunei, the Philippines and Vietnam.

A European Commission official expressed dismay at the British and French application.

He said that the move displayed a lack of trust by London and Paris in the abilities of the EU and added that, if the two countries' memberships were approved, it could dilute the EU's importance within the Asean Regional Forum and create confusion.

"This certainly creates frictions," the official said.

Mr Ali Alatas, Indonesia's foreign minister and chairman of forum this year, confirmed that formal applications from the UK and France had been received.

He said the applications, for participation alongside the EU, would be considered at future forum meetings.

Two senior Asean officials said that under new guidelines announced yesterday the UK and France would be more fitting as forum members than the EU.

The guidelines state that members must be sovereign states and should have a clear relevance to Asean on security matters. The UK and France are both nuclear powers and permanent members of the United Nations Security Council.

Separately, Mr Warren Christopher, US secretary of state, urged Asian nations to encourage political pluralism in Burma and warned that a failure to do so could raise "the chances of instability, bloodshed and migration within Burma and across its borders".

The US, along with Japan and the EU, are concerned at the detention of pro-democracy activists and restrictions imposed by Rangoon's military rulers on advocates of political reform.

Mr Ohn Gyaw, Burma's foreign minister, told the Asean Regional Forum of the country's plans for political change.

He failed to announced any conciliatory political initiatives, but diplomats said they hoped pressure from western and Asian foreign ministers might help change Rangoon's outlook.

ASIA-PACIFIC NEWS DIGEST

Sri Lanka army set for attack

The Sri Lankan army massed new troops on a northern beach yesterday to prepare for an assault on a military base in eastern Sri Lanka where Tamil rebels claim to have destroyed the entire 1,200-man garrison.

The rebel attack, launched last Thursday, was in its sixth day, with at least 700 combatants killed on both sides. The rebels have started destroying military structures at the base, once the township of Mullaittivu, 170 miles north of the capital, Colombo.

Military officials said it seemed the rebels – marking the 13th anniversary of their separatist war with Colombo – had overrun the base. The two sides gave conflicting casualty reports, the rebels claiming 1,208 soldiers and 241 guerrillas killed, while the military said 300 soldiers and 400 rebels had died. Seven people, including five soldiers, were killed as violence continued in north-east Sri Lanka, the defence ministry said. *AP-DJ, Colombo*

Australia public servants strike

Some 65,000 public servants in Australia go on strike tomorrow in protest at planned federal government spending cuts. The 24-hour stoppage was endorsed at union meetings across Australia yesterday, and is likely to disrupt services ranging from airport customs to unemployment offices. The Community and Public Sector Union has warned 15,000 jobs could be axed as the conservative coalition government tries to cut A$8bn ($6.3bn) from federal spending over the 1996-97 and 1997-98 financial years.

Meanwhile, coalminers started a national strike yesterday after eight members of the Construction, Forestry, Mining and Energy Union picketing the Vickery coal mine in New South Wales were arrested. The mine is owned by RTZ-CRA, the Anglo-Australian mining group, and miners there have been on strike since last August, in protest at company plans for 12-hour shifts and other changes to employment conditions. The union said mineworkers would remain on strike nationally for at least 48 hours. *Nikki Tait, Sydney*

New Zealand First support falls

Support for the New Zealand First party, main rival to the governing National Party, has fallen dramatically, according to latest opinion polls. NZF fell five points to 20 per cent; personal support for Mr Winston Peters, NZF leader, fell eight points to 19 per cent, ending a period where NZF looked likely to replace the Labour party as the main opposition party.

The latest surveys suggest National is steady on 43 per cent, while Prime Minister Jim Bolger saw his personal popularity rise seven points to 27 per cent. Labour rose three points to 19 per cent. The election is due in October. *Terry Hall, Wellington*

Japan food epidemic kills two

Japan's food poisoning epidemic worsened yesterday when two people died from a bacterial infection that has made thousands sick. A 10-year-old schoolgirl and an 85-year-old woman were the first fatalities of the outbreak which started in the west Japanese town of Sakai 12 days ago.

Their deaths bring to seven those who have died from the germ in Japan this year. Since May, more than 9,000 have come down with severe fever after contracting the O-157 colon germ from food. *Reuter, Osaka*

Rand under fire as union troubles grow

By Roger Matthews in Johannesburg

The South African rand came under renewed pressure yesterday as the government and unions continued their public row over economic policy and as the first national textiles strike was about to begin.

The currency lost more than R0.04 against the dollar in the first hour, but traders said the fall was influenced by reports that the Reserve Bank's exposure on forward dollar sales had more than doubled in the past four months. The bank again intervened to steady the rand, which closed at R4.43 against the dollar, down R0.05 on the day.

The Reserve Bank said later it had "no problems" with the report that its oversold position on forward dollars stood at $14.3bn. This was half the figure of March 1995, and the market had over-reacted.

Mr Trevor Manuel, the finance minister, yesterday dismissed accusations from the biggest trade union federation that his economic policies were "a certain recipe for disaster". He insisted the new policy document did not stray from the government's commitments when it took office more than two years ago.

Mr Sam Shilowa, general secretary of the Congress of South African Trade Unions (Cosatu), said on Monday that the document's emphasis on cutting the budget deficit, removing exchange controls, and privatising state companies, was contrary to the policies of the ruling African National Congress. He warned of a possible crisis in the ANC's alliance with Cosatu and the South African Communist Party.

The clothing and textile workers union yesterday announced that its 82,000 members would begin an indefinite strike tomorrow. The strike will halt more than 1,200 factories, and, according to employers, cost R15m a day in lost output. The union is demanding a 10 per cent pay rise, but employers have refused to go beyond 8 per cent.

President Nelson Mandela was also drawn into labour disputes yesterday after more than 2,000 striking miners camped all night outside the Union Buildings in Pretoria. The president urged them to return to work at the Rustenburg, the world's largest platinum mine, where all 28,000 men have been dismissed.

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Israel eases the blockade, but not the pain

Palestinians are still frustrated by the age limit, writes Ilene Prusher

A soldier uses a bar code reader to check a Palestinian's identity at the Erez checkpoint where Israeli work permits are issued AP

It is 6pm at the Erez checkpoint between Israel and the self-ruled Gaza Strip. Middle-aged and older Palestinian labourers wait in a queue to be admitted to Gaza after a day's work in Israel.

Most of their sons are at home. With Israel's blockade on the West Bank and the Gaza Strip, the middle-aged men trek to factories and farmlands while the youngest and most able-bodied stay at home.

This is why few Palestinians cheered when Mr Benjamin Netanyahu, Israel's new, right-wing prime minister, announced that he would allow another 10,000 Palestinian workers into Israel as of last weekend. All must be older than 30 and married.

Shuki Muntaz Sawafiri, for one, was hoping to be allowed into Israel to seek manual jobs, such as home renovation. But he and another brother in his 20s, both unmarried, are still at home with their family of 11. According to officials of the Palestine Liberation Organisation, the closure has led to unemployment of 50 to 60 per cent in Gaza.

"I'd like to have the chance to work," said Mr Sawafiri, a supporter of Mr Yassir Arafat, president of the Palestinian Authority. "I am very sad to hear that Netanyahu defined the age, because it's just making things worse for me," complained Mr Sawafiri, who said his father was not well enough to work.

Israel clamped a tight blockade on the Gaza Strip and the West Bank after a series of Moslem suicide bombings in February and March killed 59 people in Israel. Under the easing of the closure – which Israelis call a security measure and Palestinians call collective punishment – only older, married workers are allowed to enter. The profile of an Islamic fundamentalist on a mission to martyrdom, it seems, is a young, single man with little to lose.

PLO officials say Palestinians are losing about $4m to $5m a day

According to the Palestine Economic Pulse, a bi-monthly research magazine, during periods of full closure Palestinians lost $14.7m a week in income. Mr Faisal Husseini, the leading PLO official in Jerusalem, said the total figure was about $4m to $5m a day if lost income to businesses and corporations was counted.

Mr Husseini said that an additional 10,000 workers were not enough and said the number of labourers allowed into Israel should be increased to the level before Israel began using the measure in January 1995.

"When they are talking about reducing the closure, they are still talking about 10 per cent of the regular situation, which really is not helping a lot. What we are calling for is a lifting of the whole closure," Mr Husseini said.

But it would be difficult for Israel to admit anywhere near the 100,000 workers – Palestinians say 180,000 when counting illegal labourers – who used to work in Israel. During the past two years and increasingly so in the past six months, Israel has brought in foreign workers from places as diverse as Thailand, Romania and Ghana. According to recent government figures, there are now between 200,000 and 250,000 foreign workers in Israel.

Though some Israelis like workers who are unlikely to feel any political animosity towards them, others are sounding warning bells about the problems other nations with large foreign worker populations have faced.

Mr Shlomo Dror, Israel's co-ordinator of activities in the territories, said the foreign workers were on temporary permits and would not replace Palestinian labourers.

"The Palestinians are people we have some responsibility for. We have complaints from many Israelis who have do not have enough workers for their factories and farms," he said.

As part of the loosening of the closure, Israel would allow entry permits to 350 traders, about 240 medical personnel, and 10 ambulances, he said. It would also allow passage to more taxis and delivery trucks, without which business and travel have been severely disrupted.

Palestinians are still sceptical of Mr Netanyahu's moves. The premier, whose hardline positions on Middle East peace have strained Israel's relations with its Arab neighbours, may have been in need of a gesture to demonstrate he was not completely insensitive to Palestinian needs.

Indeed, easing the closure is one of the few moves he is able make to please Arab leaders without backing away from his campaign stance against the land-for-peace formula.

Crude steel making in Nafta and Asia

New capacity, '000 tonnes

	[illegible]	[illegible]	[illegible]	Total
[illegible]				
Canada	3,300			3,300
[illegible]				
Total Nafta	12,950	5,000		17,950
[illegible]				
South Korea	6,200	4,000	3,000	13,200
[illegible]				
Taiwan		2,500	2,500	5,000
[illegible]				
China	3,000	3,000	7,500	13,500
[illegible]				
Total Asia	18,060	18,900	20,600	57,560
[illegible]				

Source: UN/ECE estimates

UN warns of big world steel glut

By Frances Williams in Geneva

The world is heading for a glut of crude steel capacity in the next few years, as output threatens to outstrip demand, according to the United Nations Economic Commission for Europe.

In its annual review of the global steel market, the ECE estimates that about 76m tonnes of new crude steel-making capacity will come on stream in North America and Asia between 1995 and 1999. This compares with current world output of 750m-800m tonnes a year.

Of the total new capacity, about 18m tonnes will be in North America, all of it using new electric arc furnace technology, and 58m tonnes in Asia, of which 36m tonnes will use electric arc furnaces.

These ambitious plans have been spurred by the success of new technologies in steel production and continuing robust growth in steel demand, the ECE says. However, the only region in the world where steel demand is increasing strongly is Asia, which is unlikely to be able to absorb the predicted increase in supply.

"Furthermore, there are still many expansion plans to go into effect after 1999-2000," the ECE says, noting that the new capacity planned for North America will halve US imports from their current level. "Fears of oversupply are likely to be realised."

China's future demand for steel will be one of the determining factors, according to the review. Chinese steel consumption stagnated between 1985 and 1990 but then rose 11 per cent a year between 1990 and 1995.

However, the increase has not been smooth. It was 82m tonnes in 1992, 122m tonnes in 1993 and 95m tonnes in 1995. In years when China's steel use drops there could be massive overcapacity, the ECE warns.

Growth of steel demand is slowing in South Korea and Taiwan, while steel consumption will continue to rise rapidly among members of the Association of South East Asian Nations (Asean).

UN code on crime against mankind

By Frances Williams

International legal experts have put the finishing touches to a draft code of crimes "against the peace and security of mankind" under which individuals responsible for the most heinous crimes under international law would be subject to international jurisdiction and punishment.

The five crimes defined by the code are aggression, genocide, crimes against humanity, war crimes, and crimes against United Nations personnel.

The draft code, which now goes to the United Nations General Assembly for decision, is the product of 15 years' work by the International Law Commission comprising 34 independent legal experts.

Plans for such a code were originally floated in 1949, after the Nuremberg war crimes trials, but the onset of the cold war halted progress.

Prof Ahmed Mahiou, chairman of the commission, yesterday said that recent humanitarian calamities in Bosnia and Rwanda had increased recognition by the world community that a code of this kind was necessary.

The commission had selected to include in the code only those crimes that were already enshrined in existing statutes and conventions, accepted in principle by all countries, he said.

Individuals charged with crimes under the code could be tried in national courts, or by ad hoc international tribunals such as those for the former Yugoslavia and Rwanda, or by a permanent international criminal court, recommended by the commission and now under consideration by the UN.

Prof Mahiou said a permanent court would ensure that the perpetrators of crimes committed anywhere in the world could be brought to justice, with the court acting as a backstop where national governments were unwilling or unable to prosecute themselves.

For crimes of aggression, a permanent court was essential since national judicial systems might not be impartial.

Trafalgar to manage Georgia pipeline

By Robert Corzine and Bruce Clark

The main consortium drilling for oil off the coast of Azerbaijan has named John Brown Engineers and Constructors, part of the Trafalgar House conglomerate recently taken over by Norway's Kvaerner group, as lead manager in a $275m project to build a pipeline across Georgia.

The decision by the Azerbaijan International Operating Consortium is the first in a series of construction and supply contracts to be awarded between now and December.

Improving prospects for the early completion of the Georgian pipeline, which will take two years, have been welcomed by President Eduard Shevardnadze, who is struggling to stabilise his country's turbulent western regions.

Georgian politicians have in recent days threatened to order Russian peacekeepers out of the former war zone of Abkhazia, which lies to the north of the pipeline route. However talks on a peaceful resolution of Abkhazia's future resumed in Moscow this week.

The Georgians want Russia to help them resettle ethnic Georgian refugees in Abkhazia as opposed to simply to patrolling the former battle lines. John Brown has agreed to use a large number of Azerbaijani and Georgian workers in its project, which is one of two pipelines that will carry early oil output from the three offshore fields in the Caspian Sea being developed by the AIOC.

Work on a northern route through Russia is already under way and is due to be completed by the end of the year.

The contract covers the refurbishment of an existing oil pipeline linking Baku with the Georgian Black Sea coast, as well as the installation of new pipeline sections, pumping stations and control and communications systems.

Other companies taking part include Baku Kvaerner Kenny, Tbilisi John Brown Kvaerner and Kvaerner Engineering.

Doubts grow over Europe's leadership of space launch industry

Ariane 5 rocket faces more delay

By David Owen in Paris

The European Space Agency yesterday confirmed that the first commercial flight of the new Ariane 5 rocket, whose maiden flight was aborted last month, will not take place until well into next year.

Mr Jean-Marie Luton, director-general, told a Paris press conference the launch of the second Ariane 5 was likely to be postponed until "the middle of the first half" of next year.

He said no decision had been made on whether even the third Ariane 5 flight would have a commercial payload, let alone the second. Arianespace, the France-based 53-company consortium charged with marketing Ariane rockets, had originally planned a first commercial flight in January.

This new setback to Europe's hopes of retaining long-term leadership of the $3bn-a-year commercial space transport industry emerged as software errors in the rocket's guidance system were officially blamed for the failure of the first Ariane 5 flight in June.

The rocket, the largest built in western Europe, was blown up by the command centre after it veered off course less than 40 seconds into its maiden flight from the Kourou space centre in French Guiana. The launch cost an estimated $500m and rained flaming debris over a wide area.

The report of the independent inquiry board into the failure, published yesterday, concluded it was caused by the "complete loss of guidance and attitude information... due to specification and design errors in the software of the inertial reference system".

It said tests carried out during the rocket's development programme "did not include adequate analysis and testing of the inertial reference system or of the complete flight control system which could have detected the potential failure".

The inquiry panel made 14 recommendations to avoid a repetition of the failure. These included a critical reappraisal of all software, a review of the mechanisms for managing the failure of more than one component and better overall software co-ordination.

Mr Luton – who faced hostile questioning from journalists on why certain precautions had not been taken – emphasised that there had been "errors" but said that the "overall system architecture, including the computers" had not been called into question. "We are all guilty and we will take responsibility," he said.

He said the failure cost between FFr800m and FFr1.6bn ($155m and $310m) – or 2 to 4 per cent" of the FFr40bn investment made in the rocket.

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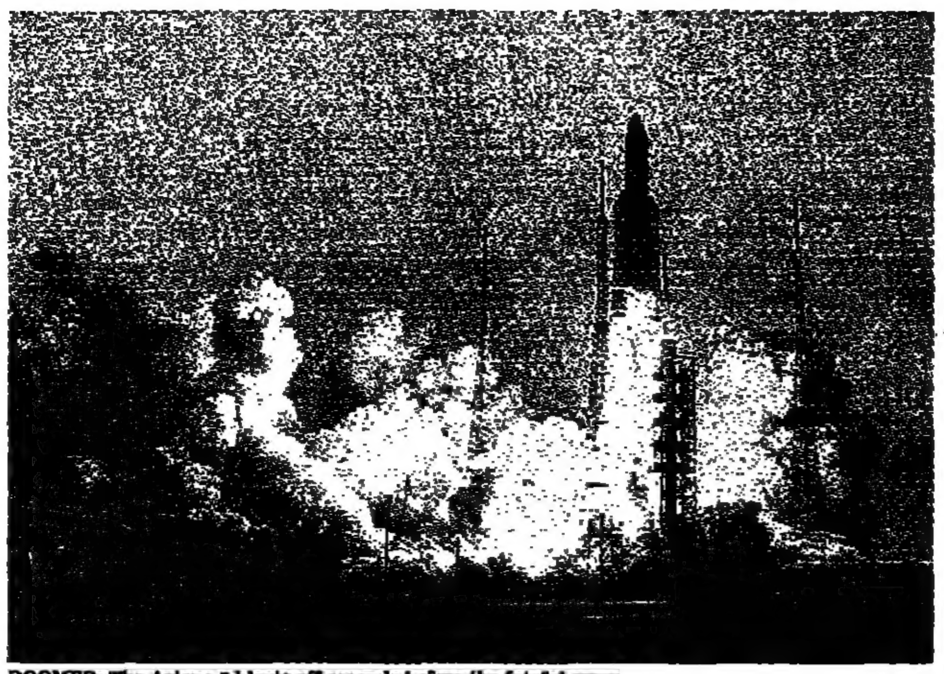


DOOMED: The Ariane 5 blasts off seconds before the fateful error PA

Commission report warns of unilateral protectionism against low-wage exporters

WTO urged to tackle labour standards

By Guy de Jonquières in Brussels

The multilateral trade system risks being undermined by protectionism unless the World Trade Organisation tackles the subject of labour standards, a European Commission policy paper has warned.

Although the politically sensitive paper emphasises that it is not seeking to discriminate against poor countries or penalise low-wage exporters, it seems certain to add to a controversy, both between the EU's members and with many of its trading partners.

The paper, by Sir Leon Brittan and Mr Padraig Flynn, the trade and social affairs commissioners, is expected to be approved by the full commission today. European Union ministers will then be asked to endorse it for submission to the WTO's ministerial conference in Singapore in December.

Last weekend, foreign ministers of the seven members of the Association of South East Asian Nations – Malaysia, Vietnam, Indonesia, Brunei, Thailand, Singapore and the Philippines – condemned attempts to link trade and labour standards, which are also being pressed by the US. The ministers said they would oppose any discussion at the WTO conference of matters not strictly related to trade.

The paper may attract criticism from senior trade officials of Asian governments at a two-day meeting with their EU counterparts which opens in Brussels today. The meeting is intended to discuss follow-up measures to the Bangkok summit of Asian and EU leaders earlier this year.

The issue may also divide EU governments. France, Belgium and most southern EU members are pressing strongly to have labour standards placed on the WTO agenda, while Germany, the Netherlands, Finland and Sweden say they are prepared to consider the idea. But Britain strongly opposes such a proposal.

The paper does not urge the WTO to adopt any specific measures, but calls on it to set up a working group to study labour standards, and work more closely with the United Nations and the International Labour Office to ensure that core rights are more widely respected.

"If the WTO fails to take up the challenge, there is a real danger that unilateral protectionist measures could emerge as this failure is viewed as evidence of a refusal to tackle abuses. These measures could, in turn, serve to destabilise the progress already achieved in relation to trade liberalisation," the paper says.

It says the aim should be to stamp out genuine abuses, not to harmonise international employment standards, remove the comparative advantage of countries with low wages or legitimise trade protection.

It supports recent efforts to strengthen the disciplines of the ILO and to make more effective the organisation's efforts to monitor members' compliance with its human rights conventions.

This week's meeting of senior Asian and EU trade officials is expected to discuss preparations for the WTO ministerial conference and proposals for lowering barriers to trade and investment between the two regions.

But even if open disagreements over labour standards can be avoided, the meeting seems likely to reach few important decisions. EU officials say the enthusiasm of many Asian governments for ambitious initiatives to strengthen economic relations and advance liberalisation seem to have cooled since the Bangkok summit.

Morocco signs up Daewoo for $½bn projects

By Roula Khalaf

Daewoo has signed an agreement with Morocco to invest up to $500m in projects over the next few years, to the delight of Moroccan officials who have been courting the South Korean group for more than a year.

In the largest foreign investment deal in Morocco to date, Daewoo's investments will target the tourism, telecommunications and industrial sectors, with expectations of creating up to 2,000 jobs.

The details and the timeframe for the investments are still sketchy, but Moroccan officials said Daewoo had agreed to purchase a prestigious hotel in Rabat this year, to be followed by a bid for a stake in the telecommunications company. Morocco's privatisation ministry has been keen to privatise the telecoms sector but has yet to include it on the privatisation list. Parliament must also approve the privatisation.

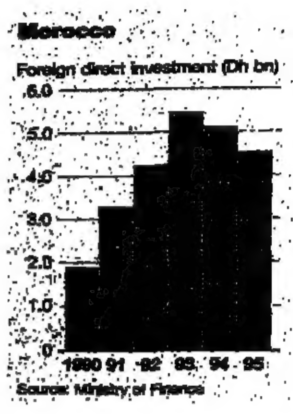
In a third phase, the South Korean company plans to invest in an industrial site near Casablanca to manufacture domestic appliances for both the home market and for export to Europe and other North African countries. "This is a most important investment," said Mr Nabil Kharroubi, an official at the ministry of finance and foreign investment. "We hope that this will act as a locomotive to bring in other investors."

Attracting foreign direct investment is a key ingredient in Morocco's efforts to raise productivity as it opens up its economy to Europe. Under the partnership accord agreed with the European Union last year, Morocco must dismantle all tariff barriers within 12 years and has been urged by the World Bank to do so sooner.

But stifling bureaucracy, an unreliable justice system and a poorly qualified workforce have generally kept foreign investors away. Although foreign direct investment jumped nearly tenfold in the last decade, it stood at just $450m last year. King Hassan II's court and government ministers have been willing to facilitate matters and cut red tape for large investors they are keen to attract. Morocco's investment charter also gives added advantages to big investment projects.

Daewoo certainly falls within this category. A year ago, the ministry of finance and foreign investment drew up a wish list of companies – with Daewoo right at the top – that it would like to see invest in Morocco. Then it simply sent letters to their chief executives inviting them for a visit.

"We said the product is Morocco – you can consider everything, we need everything and we are not targeting anything specific," recalled Mr Kharroubi.



Among the incentives provided to Daewoo was a promise by the government to build the infrastructure for the new industrial site and help finance the building of the actual plant.

Having clinched a commitment from Daewoo, officials were not too bothered about how long it would take the company to start operating. "We are willing to build the site any time," said Mr Kharroubi. "Daewoo has a policy and a budget and they are investing a large amount over several years, we know it might take two to four years."

Dole given push on tax-cutting policy

By Patti Waldmeir in Washington

Republican leaders in Congress, desperate to revive Mr Bob Dole's flagging presidential election campaign, yesterday gave him a public shove in the direction of a tax-cutting economic policy.

The Republican leadership of the House and Senate joined tax cut enthusiasts to hold a highly publicised "policy forum" on Capitol Hill, designed to increase pressure on Mr Dole to unveil his long-awaited economic plan and to include something dramatic to contrast his candidacy with that of President Bill Clinton.

Participants in the forum, which focused on proposals for stimulating economic growth largely through tax cuts, included Mr Newt Gingrich, the House speaker, Mr Dick Armey, the House majority leader, and Mr Trent Lott, the Senate majority leader.

Former presidential candidate Mr Jack Kemp, a supporter of a flat rate of income tax, also attended, along with two of Mr Dole's senior advisers. Mr Dole was not present.

The forum reveals the increasingly public exasperation of senior Republicans at Mr Dole's failure to articulate a coherent campaign vision. Many feel that his only hope of averting a landslide defeat in November, which could even see the Democrats regain control of Congress, lies in announcing an eye-catching economic growth package, including a substantial cut in tax rates.

Mr Dole's advisers have been working on such a package for weeks, and the slow pace of their deliberations has frustrated many Republicans who feel their candidate is ignoring his strongest campaign issue.

A recent Harris poll showed high taxes to be the single most important concern of voters, followed closely by the state of the economy. Although polls show that most Americans believe their economic circumstances have improved under Mr Clinton – by a factor of 2:1 – most still cite serious concern at the general state of the economy.

Within the Dole campaign itself, consensus has begun to emerge around a substantial tax cut, either through a sharp reduction in rates or a rollback of tax increases instituted in 1990 and 1993. Mr Dole is now understood to accept the need for a big cut, but defending one in public could prove difficult for him.

Historically he has put deficit reduction ahead of tax cuts, and he is known to be concerned that announcing cuts may jeopardise his credibility as a budget-balancer.

Mr Dole's advisers are understood to be working on the final details of a tax reduction package, including an analysis of the budgetary and economic impact of measures which will come under immediate attack from the White House. The Democratic campaign will try to attack any Dole tax cut on the basis that it favours the rich over the poor, and jeopardises budgetary balance.

Mr Dole's advisers are also debating the timing of the announcement. It could be delayed until just before the Republican convention in August, for maximum impact.

Senate amends welfare bill to avert Clinton veto

By Patti Waldmeir

The US Senate yesterday moved toward passage of politically controversial welfare reform legislation, amending it in an attempt to prevent President Bill Clinton from vetoing the bill.

Overhaul of the welfare system has become an important issue in the run-up to November's elections, with Mr Clinton eager to deliver on his 1992 campaign promise to "end welfare as we know it" without incurring the wrath of Democratic party liberals who oppose some of the measures as too tough on the poor.

Republicans have differed over whether their party would gain maximum electoral advantage by forcing the president to veto the bill – as he has done with two previous congressional efforts at welfare overhaul – or by presenting him with a bill he can sign, and then claiming reform as a Republican victory. Action on welfare was a key plank of the party's 1994 Contract with America.

Mr Trent Lott, Senate majority leader, yesterday presented the bill as a no-lose proposition for Republicans. "If he [Mr Clinton] signs it, the country will be the beneficiary. If he doesn't, he'll have to explain why," Mr Lott said.

The Senate appeared to be moving yesterday in the direction of presenting a bill the president can accept, voting to ensure Medicaid (public health insurance) eligibility for the poor and blocking a change which the White House had said would jeopardise the programme of "food stamps", or free food for the poor.

The bill, which was expected to be passed late yesterday, differed in some ways from a bill passed earlier by the House, but both would limit welfare assistance to five years per family and require recipients to return to work after two years on benefit. Both bills would give states greater control over welfare spending.

Mr Lott described the bill as a "work in progress". Differences between the two versions will be resolved in the conference committee, which might make further changes after negotiations with the White House.

Threat to EU stand on Helms-Burton

By Guy de Jonquières in Brussels

Britain has thrown into uncertainty European Union plans to retaliate against controversial US anti-Cuba legislation by threatening to veto some of the EU's proposed measures unless it is satisfied they do not infringe British sovereignty.

The UK's move took the European Commission by surprise as it was preparing to approve today a draft blocking statute, intended to shield European companies threatened by the Helms-Burton Act. The US law authorises private court actions against foreign companies "trafficking" in confiscated Cuban assets.

UK officials said the Commission had agreed to a "stay of execution" on the draft EU statute until the end of this week, to the UK time to study the provisions and check that they did not encroach on the rights of member states.

The officials said the UK had told Brussels that if the proposal was found not to comply with EU treaties, and the Commission went ahead with it, the UK would veto the draft statute when it was presented to the Council of Ministers.

However, Commission officials said they expected the 20 commissioners to endorse the proposal in principle at their regular weekly meeting today, although procedural delays meant it was unlikely to be finalised until early next week.

They denied the proposal involved EU encroachment on sovereignty and said they were confident it met UK concerns. "Britain is crossing bridges before it has even seen their design," a Commission official said.

Another official said it was unclear whether the UK had fundamental objections to the proposals, or whether it was engaging in temporary delaying tactics in an attempt to pre-empt accusations from Tory Eurosceptics that it was aligning itself too closely with the EU against the US.

Britain had previously been among the governments pressing most strongly for a robust EU response to the Helms-Burton Act.

UK officials said they did not want to weaken the EU's stance, but had always insisted there must be proper consultations before retaliatory measures were agreed.

Ironically, the proposed EU blocking statute is closely modelled on Britain's 1981 Protection of Trading Interests Act. It would prohibit European companies from complying with provisions of Helms-Burton and entitle them to counter-sue in European courts for any damages which US courts awarded under the US legislation.

The UK fears the Commission proposal could transgress the division of powers between the EU and member states by encroaching on the jurisdiction of national courts. It is also concerned that the proposal is designed to be put into effect as it stands, and not implemented through national legislation.

Britain also has reservations about another option approved in outline by the Council of Ministers, which would involve tightening visa requirements for US citizens visiting the EU.

US steps up efforts to block UN chief

By Michael Littlejohns, UN Correspondent, in New York

Boutros Ghali: won support from UN secretariat

The conflict between the US and Mr Boutros Boutros Ghali over the UN secretary-general's bid for re-election this autumn became more acrimonious yesterday.

Ms Madeleine Albright, US ambassador to the UN, told representatives of African and non-aligned states they should "disabuse" themselves of any idea that Washington would reverse its opposition once November's presidential elections were out of the way.

She urged the delegates, virtually all of whom backed the 73-year-old Egyptian diplomat, to think again and join the US in a search for a new secretary-general.

Diplomats who attended the session said she indicated Mr Salim Ahmed, secretary-general of the Organisation of African Unity, whom the US vetoed in a previous bid for the post, could even be considered. However, Ms Albright was informed that delegates were unwilling, at least for now, to look at another candidate.

The US has also accused Mr Boutros Ghali of "inappropriateness" by, it says, employing UN staff to promote his re-election. Mr James Rubin, spokesman for the US mission at the UN, who is soon to join President Bill Clinton's campaign as a foreign policy adviser, hinted that Washington might call for an inquiry. He said the US had enough reports to justify looking into the secretary-general's "use of personnel for this purpose".

The US was incensed when Mr Ahmad Fawzi, a senior UN spokesman, read to journalists statements lavish in their praise of Mr Boutros Ghali's stewardship and then revealed they were remarks by Mr Clinton. When Mr Boutros Ghali returned recently after a seven-week absence abroad, a welcoming party from the UN secretariat accompanied by a child bearing flowers clapped and cheered in the presence of UN television cameras to demonstrate their support for him.

Ms Sylvana Foa, Mr Boutros Ghali's press secretary, yesterday attacked the "unsubstantiated allegations" and "ridiculous" charges against the secretary-general and the "disgraceful campaign that is being waged against the UN and its staff".

The US's tactics "really smack of the McCarthy era," she said. "I cannot believe this has been approved in advance by the government concerned."

AMERICAN NEWS DIGEST

TWA families contact lawyers

Lawyers involved in lawsuits over the 1988 bombing of a Pan Am jet over Lockerbie, Scotland, say they have been contacted to represent some of the families of victims of last week's TWA Boeing 747 crash, in which 230 people died.

Mr Lee Kreindler, lead plaintiffs lawyer in the litigation against Pan Am and its insurers, said he had been hired by the family of two victims and that his office had received other calls. The New York firm of Baumeister & Samuels, which was also active in the Lockerbie litigation, said it had received calls but had not yet been retained.

Meanwhile, security personnel checking TWA flights from Roissy-Charles de Gaulle airport outside Paris went on strike yesterday in protest over management plans for part-time working. They said the dispute was unrelated to last week's crash. *Reuter, New York and Paris*

House approves sanctions law

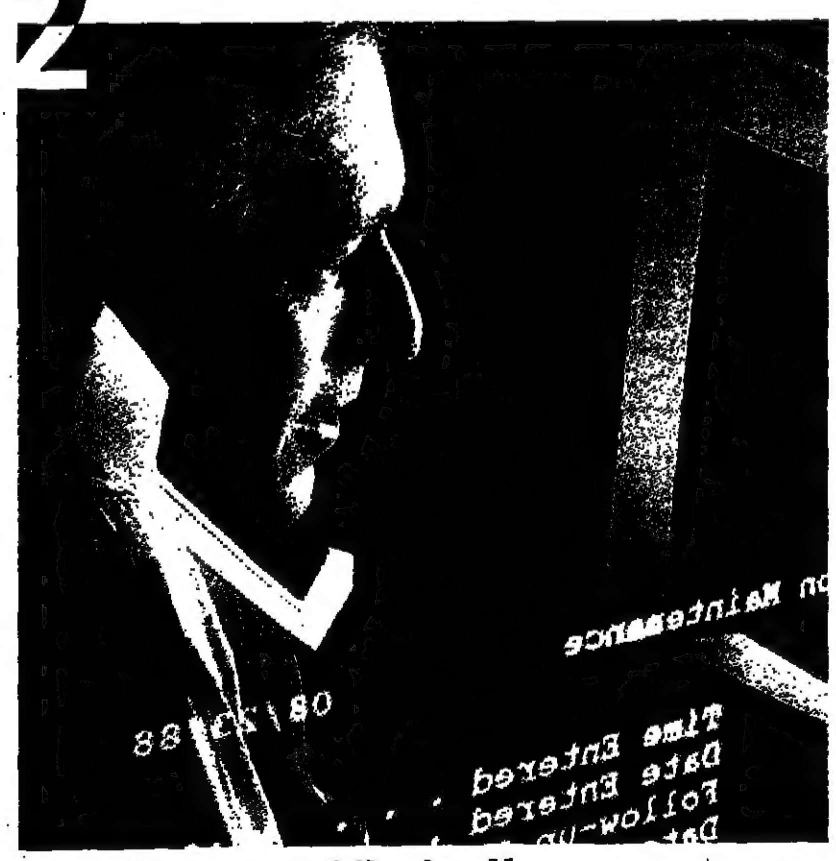
The US House of Representatives yesterday gave final approval to legislation imposing tough sanctions on companies which invest in the oil fields of Libya and Iran.

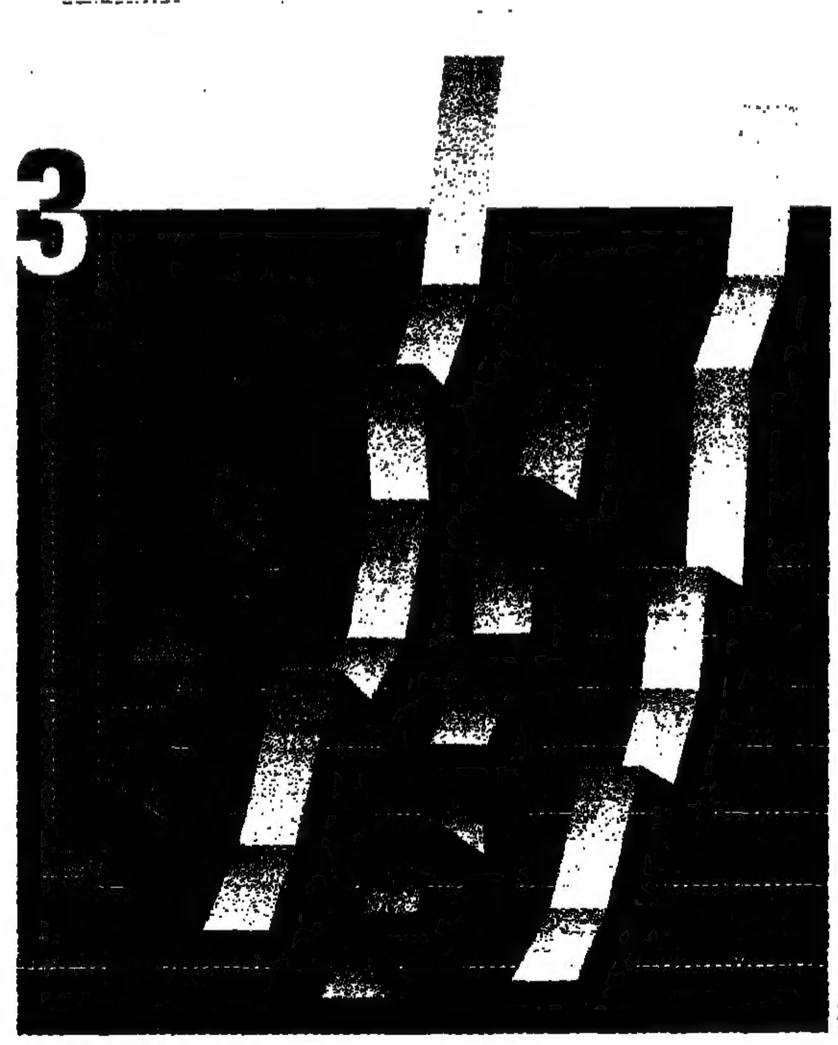
The House accepted a Senate version of the legislation which was more stringent than the original House bill. It would compel the president to impose at least two sanctions from a list of options on companies investing in Iran and Libya, including export and import bans on companies, denial of US bank loans and official credit, and exclusion from US government contracts. *Nancy Dunne, Washington*

Ex-editor of the Journal dies

Vermont Royster, a former editor of the Wall Street Journal and winner of two Pulitzer Prizes, has died aged 82. He was one of a small group of editors who shaped the Journal into the nation's business daily, and presided over the newspaper's editorial page from 1958 until his retirement in 1971.

Royster started work at the newspaper as a reporter in 1936 and worked his way up to the positions of Washington correspondent, Washington bureau chief, editorial writer and editor. *AP, Raleigh*





UK-based suppliers win 85% of £300m development costs in reversal of trend

Shell North Sea field 'one of fastest'

By Chris Tighe and Robert Corzine

The government yesterday gave the go-ahead to one of the fastest fast-track developments in the North Sea with the approval of the £300m ($468m) marginal Curlew oil and gas field project.

The Department of Trade and Industry (DTI) approved a plan by Shell UK Exploration and Production that envisages first output from the field, 220 kms east of Aberdeen, in the autumn of 1997. The development will be completed in half the time it would have taken five years ago.

The company announced £300m in contracts yesterday, with 85 per cent of the overall project budget due to be spent with UK-based suppliers.

Fast-track projects are usually marginal fields, whose development would be questionable if normal development timescales and procedures were adhered to. In such schemes the government speeds up the approval process in exchange for a commitment by oil companies to bring the field onstream in the shortest practicable period. Speed of approval is seen as a necessary incentive to keep developments in the North Sea viable as the area reaches maturity.

Much of the work will be placed in Tyneside, in the north-east of England, including a £200m contract for Curlew's floating production, storage and offloading (FPSO) vessel, Maersk Dorset.

This contract has been awarded to MAS Alliance – a joint venture between Amec Process and Energy of the UK, Monaco-based Single Buoy Moorings Inc and Maersk Contractors, a subsidiary of Danish-owned AP Moller.

The work will safeguard about 400 jobs at Amec Process and Energy in the Tyneside area as well as creating 500 six-month contracts at the nearby A&P yard.

Several years ago there were worries that Tyneside, a big centre of large topside fabrication in the 1980s, might lose out as the North Sea development moved to more marginal fields, requiring more flexible extraction methods.

The area has also benefited from government pressure on North Sea oil companies to place more work with UK companies. The first FPSO contracts tended to go to Spanish and other overseas shipyards, a development which worried DTI officials keen to develop oil-related export industries.

Amec is currently working on another Shell FPSO order, the Anasuria, a new hull built in Japan then towed to Tyneside for topside work and turret installation. The new order will be worth well in excess of £100m to Amec. Its Tyneside yard currently has a full order book and employs 2,200, against 700 a year ago.

"The contract underlines the River Tyne's unique position in Europe in being capable of tackling entire FPSO conversion projects," said A&P.

The development of relatively small North Sea fields such as Curlew increasingly depends on FPSOs, which can be easily moved to a new location once the reserves run out.

Curlew has recoverable reserves of 71m barrels of oil and natural gas condensate, a naturally occurring gasoline, and 244bn standard cubic feet of gas. Peak production is expected to be 45,000 barrels of oil and 100m scf of gas a day.

Reshuffle results in pro-EU Treasury

By Robert Peston, Political Editor in London

The Treasury has reinforced its position as the sole overwhelmingly pro-European ministry following a ministerial reshuffle yesterday.

The replacement for Mr David Heathcoat-Amory, who resigned from the Treasury on Monday because of his opposition to a European single currency, is Mr Phillip Oppenheim.

Meanwhile a minister noted that Mr Kenneth Clarke, the pro-European Chancellor of the Exchequer, had "purged any serious scepticism from the Treasury". Mr Oppenheim is described by his friends as a "mild sceptic" but regarded by the Eurosceptic activists as "not one of us".

The reshuffle was announced after Mr John Major, the British prime minister, categorically stated that the general election would be next year. In the Commons he said "people ... will choose low taxes yet again in the 1997 election."

Mr Oppenheim's Treasury post has been downgraded in the reshuffle from a minister of state position to parliamentary under-secretary. He has also been deprived of Mr Heathcoat-Amory's historically significant title of paymaster general.

This has been given to Mr David Willetts, one of the rising stars in the government, who stays in the Cabinet Office but is promoted to minister of state level. Mr Willetts has become one of the prime minister's most trusted advisers on the co-ordination and development of policy.

Mr Oppenheim was given the brand new title of "Exchequer Secretary". This was "dreamed up over lunch" by Mr Clarke, according to a member of the government.

There has also been a promotion in the whips' office, which looks after parliamentary party discipline, for Mr Andrew Mackay, who becomes Deputy Chief Whip, replacing Mr Gregory Knight, who becomes minister of state at the Department of Trade and Industry.

The DTI said yesterday that Mr Knight, a rightwinger, would not necessarily inherit the portfolio of responsibilities previously held by Mr Tim Eggar, who quit as the DTI's energy minister to pursue opportunities in the private sector. Another minister who resigned for similar reasons to Mr Eggar is Mr Steven Norris, replaced as undersecretary at the Department of Transport by Mr John Bowis.

Meanwhile, the ranks of Eurosceptics at the Foreign Office has been increased by the arrival there of Dr Liam Fox in a newly created parliamentary undersecretary's post.

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UK NEWS DIGEST

Single currency disarray grows

Mr Tony Blair, the leader of the opposition Labour party, was yesterday given a foretaste of his party's divisions on European monetary union, taking some of the sting out of opposition attacks on the governing Conservative party's disarray over Europe.

Stepping up its campaign for a Labour government to rule out joining a single currency during a first term, the newly-formed "people's Europe" group said that fiscal policy would be dictated by the European central bank.

In a move that may alarm Labour anti-Europeans, it emerged that Mr Gordon Brown, the shadow chancellor of the exchequer, told a meeting of French bankers earlier this month that he wanted the UK to be one of the founding members of a single currency, if the economic conditions were right.

His strongly pro-single currency stance delighted the officials, with many now convinced that the Labour leader is committed to the single currency project although he has only thus far committed himself to making a decision according to the economic considerations at the time.

Labour officials denied the comments reflected a policy shift, and pointed out that Mr Brown had long indicated his qualified support for Emu.

In his first act as a backbench Eurosceptic since resigning from the Treasury as paymaster general, Mr Heathcoat-Amory who launched his own pamphlet, "Why the United Kingdom must say no", said the currency issue must be debated "publicly and urgently". *John Kampfner and Gillian Tett*

■ FISHING

Existing quota-hoppers 'must go'

Britain is to seek to exclude existing overseas-owned fishing vessels from the UK's European Union fishing quota as well as preventing additional vessels from joining the fleet, officials said yesterday.

Mr Tony Baldry, the fisheries minister, told a Commons European standing committee: "I want to see existing quota-hoppers taken off the register. Our purpose is to remove them." Mr Baldry also made a veiled threat that unless quota-hopping was curbed, Britain might withhold funding for EU fishing agreements with third countries, which primarily benefit Spain and Portugal.

He said that 160 Spanish-owned and Dutch-owned vessels flew the red ensign and took 44 per cent of the UK plaice quota, 46 per cent of its hake, 35 per cent of its megrim and 29 per cent of its angler fish. *Alison Maitland, London*

■ PROPERTY DEVELOPMENT

Singapore group to invest $468m

London's Canary Wharf, the highest office building in the UK, yesterday announced a £300m ($468m) development, its biggest project since the 1980s, in partnership with Hotel Properties, a Singapore-based property group.

Hotel Properties (HPL) is to take a 70 per cent stake in a joint venture with Canary Wharf, which will develop the 11-acre Riverside site in several phases. The development will include hotels and luxury apartments and will take six years to complete.

The announcement is Canary Wharf's largest since it was acquired from its bankers for £800m last year. The international consortium of investors that now owns the company includes Mr Paul Reichmann, the Canadian who led the development in the 1980s, and Prince al-Waleed bin Talal bin Abdulaziz of Saudi Arabia. Earlier this year, HPL bought a stake in the UK-based Virgin Cinema group, owner of the MGM cinema chain in the UK.

It also owns the Hard Rock Café network in Asia, which includes branches in China and India, and has a stake in the Nasdaq-quoted Planet Hollywood. *Jenny Luesby, London*

■ CAR PRODUCTION

Owner agrees to Lotus sale

Mr Romano Artioli, the owner of Lotus, the UK sports car and engineering concern, has agreed to an immediate sale of the company and to sever his connections with it after an ultimatum by Lotus directors that they would otherwise call in receivers.

Mr Neeraj Kapur, the finance director and effectively chief executive, and fellow UK directors of Lotus reached the agreement with Mr Artioli after making the receivership threat during a meeting with him on Friday. They told the Italian entrepreneur, whose other car company, Bugatti, is in receivership, that Lotus was experiencing increasing difficulties because of uncertainty over his intentions. *John Griffiths, London*

■ ENTERTAINMENT COMPLEX

Power station plan approved

Plans for a £200m ($312m) conversion of the semi-derelict Battersea power station, one of London's most famous landmarks on the banks of the River Thames, into one of Europe's biggest leisure and entertainment centres have been backed by planning officials of Wandsworth Borough Council, the local authority responsible for the site.

"This is a significant step forward which should allow us to begin building in the spring of 1997," Ms Hilary Baker, a spokesman for Parkview, the company that formed the consortium involved in the project, said last night. Plans for the art deco interior of the power station include cinemas, rides, and a variety of retail and food and drink outlets.

Parkview, a Hong Kong property company, formed Power Productions, the consortium that owns the power station and the surrounding land, earlier this year. The other partners are BAA, the airports group; Sir Andrew Lloyd Webber's The Really Useful Group; and the Gordon Group, a US property retail concern which owns the Caesar's Forum shopping complex in Las Vegas. *Jimmy Burns, London*

Barings manager 'impeded in his job'

By John Gapper, Banking Editor

Mr Ian Hopkins, the former head of risk management at Barings, the merchant bank which collapsed last year, yesterday said he had been obstructed from improving its controls in the last months before it failed.

Mr Hopkins, who faces disciplinary action by the Securities and Futures Authority, a City of London regulator, for his role in the collapse, said he was ignored by Mr Peter Norris, the former chief executive, because of Mr Norris's personal dislike of him.

Mr Hopkins told a UK Parliamentary committee of an aggressive atmosphere among senior managers at Barings that sometimes led to shouted confrontations, and people banging their fists on desks during meetings.

His evidence follows a claim by Mr Ron Baker, former head of derivatives trading at Barings, that senior managers of Barings in Singapore "knowingly or unknowingly" conspired to cover up the £830m fraud of Mr Nick Leeson.

Mr Hopkins, removed from the management committee which ran investment banking operations a few days before the collapse, said this happened because of clashes with Mr Norris about risk controls.

"I got right up Peter Norris's nose ... I had made myself unpopular, and could not be tolerated in that position," said Mr Hopkins, who was appointed head of risk control in August 1994.

Shortly after appointment, he "stumbled across the most awful mess" in how the bank dealt with foreign exchange risks.

However, when he raised this at a committee meeting, he found himself "shouted down by everyone in the room".

Mr Hopkins said Mr Norris had blocked an attempt to appoint a regional treasurer in Asia at the end of 1994, a move which would have cost £200,000 a year. This might have allowed the bank to save hundreds of millions of pounds in losses.

Mr Hopkins claimed there was a broad lack of controls in Baring Securities. He said that he did "everything he could have done in a difficult and hostile environment to change the culture, but that is hard work for one individual".

Mr Baker, giving evidence to the committee again, said that he agreed with Mr Hopkins' view that he was unfairly treated.

Ministers try to quell lamb scare

By Neil Buckley in Brussels and Alison Maitland and George Parker in London

European Union ministers and officials yesterday strove to avoid a collapse in the lamb market after the agriculture commissioner's warning that BSE or "mad cow" disease could be passed to sheep.

Several farm ministers meeting in Brussels welcomed as a sensible precaution Mr Franz Fischler's call on Monday for EU-wide action to prevent sheep's brains, spinal cord and spleen from entering the food chain. They insisted lamb itself was safe to eat and called for calm among consumers.

But states including Spain and Portugal reacted angrily to Mr Fischler's demands. They said since their countries were free of BSE, there was no need for them to take anti-BSE measures when processing cattle meat, let alone meat from sheep, goats and other ruminants.

Mrs Loyola de Palacio, Spain's agriculture minister, rebuked Mr Fischler for making comments that may provoke alarm without discussing them with all EU veterinary committees or, apparently, other commissioners.

Some other states also accused the commission of repeating some of the mistakes of the UK government, which sparked the "mad cow" crisis in March when it warned of a probable link between BSE in cattle and CJD, the fatal human brain disease.

The commission's agriculture spokesman insisted yesterday there was "no evidence whatsoever" that sheep had contracted BSE from cattle except in laboratory experiments. These involved sheep consuming feed heavily contaminated with BSE.

"We decided to err on the side of prudence. We would rather be too cautious than under-cautious," he said.

Mr Ivan Yates, farm minister of Ireland, which holds the rotating EU presidency, said any risk to human health from sheep contracting BSE was "infinitesimal". But he said consumer panic could spread "like a forest fire".

Mr Douglas Hogg, the UK agriculture minister, is today expected to tell the House of Commons he plans to consult the industry on removing all sheep brains from the human food chain, following recommendations from the government's scientific advisers on BSE. The measures appear to be minor. Nearly all brains are already destroyed, officials say.

The scientists have not recommended removing the spinal cord or the spleen, and Mr Hogg is not expected to suggest this, officials say. This could pitch Britain against the European Commission if the latter demands removal of brains, spinal cord and spleen, as suggested by Mr Fischler.

Mr David Nicholson, Tory MP, said the proposed slaughtering precautions for sheep and goats were "ludicrous". Another Tory MP, Mr Christopher Gill, said the Commission's decision was "bizarre".

Planning consultation: Douglas Hogg will discuss removing sheep brains from the food chain

Mainland European countries yesterday remained relatively relaxed at the prospect of European Union rules aimed at preventing parts of sheep entering the food chain.

Mr Philippe Vasseur, French agriculture minister, welcomed the European Commission's proposals to ban consumption and use of sheep and goat products driven by scientists' concerns that mad cow disease can be transferred to sheep and other animals.

He said that France had already launched a ban domestically following the recommendations of a group of experts, and had called on Brussels to adopt the same policy in other member countries.

But it was important that Europe adopted a single sanitary standard on the issue, said Mr Vasseur.

German officials reacted cautiously to yesterday's announcement by Mr Franz Fischler, EU farm commissioner, that BSE could infect sheep. Mr Jochen Borchert, the German agricultural minister, said he would await the outcome of tests before considering measures to tighten food safety regulations. EU veterinary experts will meet on August 1 to decide whether to ban various sheep tissues from the food chain.

Germany's farmers association said it would also await the outcome of that meeting, adding that any ban affecting sheep would not have such a large impact on the market compared with beef because Germans ate very little lamb.

Rising industry demand eases recession fear

By Graham Bowley, Economics Staff

Fears of a prolonged recession in UK industry faded yesterday after manufacturers reported a recovery in export demand and output in the second quarter and their first rise in confidence since spring last year.

These results were contained in the quarterly industrial trends survey by the Confederation of British Industry, the UK's largest employer lobby group. The findings bolstered the hopes of Mr Kenneth Clarke, the chancellor of the exchequer, of fighting the next general election amid a strong upturn in economic growth, but with low inflation.

Manufacturing has been the chief disappointment for Mr Clarke, since it has stagnated while other sectors of the economy, especially consumer spending, have grown strongly.

But Ms Kate Barker, CBI chief economist and one of the chancellor's independent advisers, said "the risk of a manufacturing recession has receded".

Manufacturers reported that new orders during the last quarter rose at the fastest rate since July last year after showing no growth for the previous two quarters.

This led to a revival in factory output after no growth in the first quarter, although it rose by less than manufacturers had expected.

Manufacturers said they were now more optimistic about future output growth than at any time since October 1988. But Mr Andrew Buxton, chairman of the CBI's economic affairs committee, cautioned that manufacturers' expectations had been consistently disappointed in recent surveys.

He said activity was picking up "after grinding to a halt at the beginning of this year". But he underlined that the "manufacturing sector is still not performing as well as the economy as a whole" with companies threatened by the uncertain outlook for exports and a continued backlog of unsold stocks.

This was reinforced by evidence that manufacturers continued to shed jobs – employment fell at the sharpest rate for two-and-a-quarter years. In spite of the revival in new orders, total factory orders were their weakest since October 1993. Mr Simon Briscoe, economist at Nikko Europe, the Japanese bank, said: "It is certainly too early to talk of manufacturing recovery."

Nevertheless, Mr Buxton said the signs of a manufacturing revival showed that the chancellor's decision to cut UK interest rates this year had "in hindsight been justified".

Ms Barker said the chancellor should make no further change to interest rates – either up or down. Mr Clarke will meet Mr Eddie George, governor of the Bank of England, the UK central bank, next week for their regular interest rate discussion.

Exports set to challenge Komatsu

Aveling Barford signs $30m joint venture to sell dump trucks in Japan

Aveling Barford is one of the oldest names in UK engineering with a history going back to the days of steam-powered road rollers. This week, the heavyweight construction machinery maker is demonstrating that it has hauled itself out of the trough in which it was trapped at the start of the decade and, on solid ground, is preparing to add to its 130-year history.

The demonstration takes the form of a $30m (£19.4m), three-year deal for Aveling Barford's 30-tonne payload dump trucks to be sold in Japan through a joint venture between Caterpillar of the US and Mitsubishi. The trucks will present Komatsu, the Japanese construction equipment company, with the first challenge to its near-monopoly of the sector in Japan.

Through Mitsubishi's trading house activities, it will also give Aveling access to participation in Japanese public sector contracts and the country's overseas aid projects.

For Mr Peter Youlton, the managing director of the company based in Lincolnshire, England, the deal represents only one step – albeit a big one – in a transformation which still has a long way to go.

"We intend to expand further in our existing fields of activity – of manufacturing trucks for construction, mineral extraction and mining," he says. "As part of that, we will look at any acquisitions which appear advantageous. But we are also looking at diversifying into other engineering sectors, such as mainstream motor components."

Mr Youlton has initiated an export drive to counteract the peaks and troughs of the UK's construction and quarrying industries.

The strategy includes opening up new markets in a number of countries where Aveling does not have a presence, such as Vietnam and Thailand, as well as China. Africa and the Middle East are also the subject of renewed sales drives. Aveling's products have long been familiar in some unlikely-sounding places: snow clearing in the Andes, for example.

Aveling Barford is the biggest single operating subsidiary of Wordsworth Holdings plc, which turns over $100m annually. Aveling builds between 150 and 180 off-road trucks a year, some 85 per cent of which are exported. Its products include the $120,000 RD30 models destined for Japan and larger units with a payload of 65 tonnes costing $250,000.

Aveling has doubled its turnover in the past three years yet in 1988 it seemed as if its march from its origins as the supplier of the world's first steam-powered road roller in 1867, was reaching a dead end.

Aveling was the UK's biggest construction machinery supplier when it fell into the hands of British Leyland exactly 100 years later.

By 1983, after a world slump in machinery purchases, British Leyland's management was preparing to shut it down. Execution was stayed through its purchase by Mr K.T. Lee, a member of a Singapore trading family, and Mr Adrien Eschallier, a Philadelphia attorney – but only for five years. A management buy-in team, led by Mr Duncan Wordsworth, moved on to the 67-acre site in 1988 having bought the business for £10m.

Wordsworth Holdings reported consolidated profits of £1.2m before tax and interest in 1994 on a turnover of £53m, reflecting the intense competition within most engineering activities.

John Griffiths

Andrew Baxter and Chris Tighe look at the microwave options for reducing the world's waste tyre mountain

Wheels turned into 'reverse'

After thousands of miles on the road, the final journey for a tiny fraction of the world's scrap tyres is a unique pilot recycling plant at the back end of a dusty industrial estate near Toronto.

The plant uses microwave energy to break 300 tyres a day into their base elements in a process called "reverse polymerisation". Trundling through the machine on a conveyor, each 20lb tyre is reduced to about 9lb of carbon black, three-quarters of a gallon of fuel oil and 2lb of steel.

The technology could make a big contribution to reducing the environmental problems caused by used tyres, believes Tom Fairfull, chairman of Canada's Exxadon Technology, whose subsidiary Environmental Waste Management Corporation (EWMC) runs the C$12m (£5.6m) plant.

"It's totally clean, there are no toxic emissions," he says. The commercial version, which will recycle 3,000 tyres a day, could produce enough fuel oil to generate all the electric power needed to run the plant, with a 1.5MW surplus, he says. The steel and carbon black – powdered industrial carbon – can be used in a wide variety of new products.

Fairfull's confidence is shared by the industrial gases division of the UK's BOC Group, which earlier this year signed an agreement with EWMC to market the technology worldwide. "It's one of the few environmental applications that actually makes money for the customer," says Louis Lilakos, account manager at BOC Canada.

Another enthusiastic supporter is Roberto Luis Guttman, president of United Medical, a São Paulo-based pharmaceutical distribution company which has acquired the rights to exploit the technology in Latin America. The microwave process can be used to reduce both tyres and medical wastes, although Guttman admits he had to make three trips to the plant in Ajax, Ontario, before he was convinced it both worked and was economically feasible.

But some in the tyre industry remain to be convinced. They point to the closure a decade ago of the world's first commercial scale plant for making oil from old tyres. The Tyrolysis plant at Walsall in the UK used a process called pyrolysis – where a material is broken down into its component parts by heating it in the absence of air. The technology worked, but the plant was never commercially viable because of operating problems.

Fairfull's plant is based on patented technology which he acquired in 1989 from the late Charles Emery, a Canadian scientist. But Emery and Fairfull were not alone in pursuing the possibilities for microwaving old tyres. In a backstreet on an industrial estate in Sunderland, northern England, Brian Foster, founder of casing dealer Tyre and General, was struck by the wastefulness of dumping half the used tyres which his company buys from transport companies and tyre depots. The remainder merit a new lease of life by resale to remoulders.

Foster, a former radio operator with a penchant for chemical experiments, noticed that sometimes, when he prepared tyres for repair by softening them, overheating made the rubber carbonise, and oil oozed out. He began conducting trials using old tyres and a Toshiba microwave oven. "It hit the roof that many times," he says, "but it came back and still worked."

The explosions illustrate that microwaving old tyres is not as simple as popping a ready-made meal into a machine at home and waiting a few minutes for the "ping".

As Mark Anderson, manager of environmental applications at BOC Gases America, points out, tyres contain steel, and metal will catch fire if put in an ordinary microwave. So an inert, oxygen-free atmosphere is needed, for which BOC will supply nitrogen and related oxygen-removal equipment.

Once inside the EWMC microwave, the rubber is sublimated directly into vapour, extracted and either used directly to power diesel generators or condensed into a fuel oil which can be reused after its sulphur content is reduced. The steel and carbon black come out of the microwave on a conveyor before being separated and processed further.

Foster's process, for which he was granted a patent in 1992, varies in key respects. Waste rubber is irradiated by microwaves, and the resulting fine powder is steamed over potassium with water, then shaped into briquettes or nuggets for use as a slow-burning solid fuel. The microwaving process also releases a heavy oil and a light, phenol oil.

Depending on the extent to which the carbon black from the EWMC plant is processed, Fairfull says it can be used in many types of rubber products – such as mats and rubber soles where the recycled carbon black could account for all, or a large part, of the raw material – in paints, plastics, photocopier toner, or as part of a new tyre. Tyres have already been produced with 25 per cent recycled carbon black.

Backers of the process believe it has inherent advantages over other methods of using old tyres, whose composition from a number of materials has hitherto discouraged true recycling. For example, incinerating tyres to produce heat is "incredibly wasteful" in terms of energy produced, says Anderson.

But Jack Zimmer, a Goodyear business and technical analyst, is sceptical about the claims made for the microwave process. Any system of pyrolysis, whether using microwaves or other forms of energy, is endothermic (requiring the absorption of heat), he says. "The technology works, but the economics are what kills it."

Opportunities for using recycled carbon black, at least in tyres, are limited, he says. "A car tyre uses eight or nine grades of carbon black, and a truck tyre needs even more."

Along with many in the tyre industry, Goodyear believes that using scrap tyres as tyre-derived-fuel is the most effective way of recycling them, especially when they are used in cement kilns. In the high temperatures of the kiln, the tyre is completely consumed, with the steel oxidised to ferric oxide, one of the raw materials of clinker, a key component of cement. And, for every British thermal unit of energy produced, less carbon dioxide is released than from coal, says Zimmer.

Fairfull, however, claims that the EWMC process is not a form of pyrolysis. "We are using the microwave energy to break the tyre apart at the molecular level," he says. "We are overcoming the doubts and the doubters."

The Ajax plant has been running since 1993 and the Canadian company and its partners are now pushing ahead with commercialising the process.

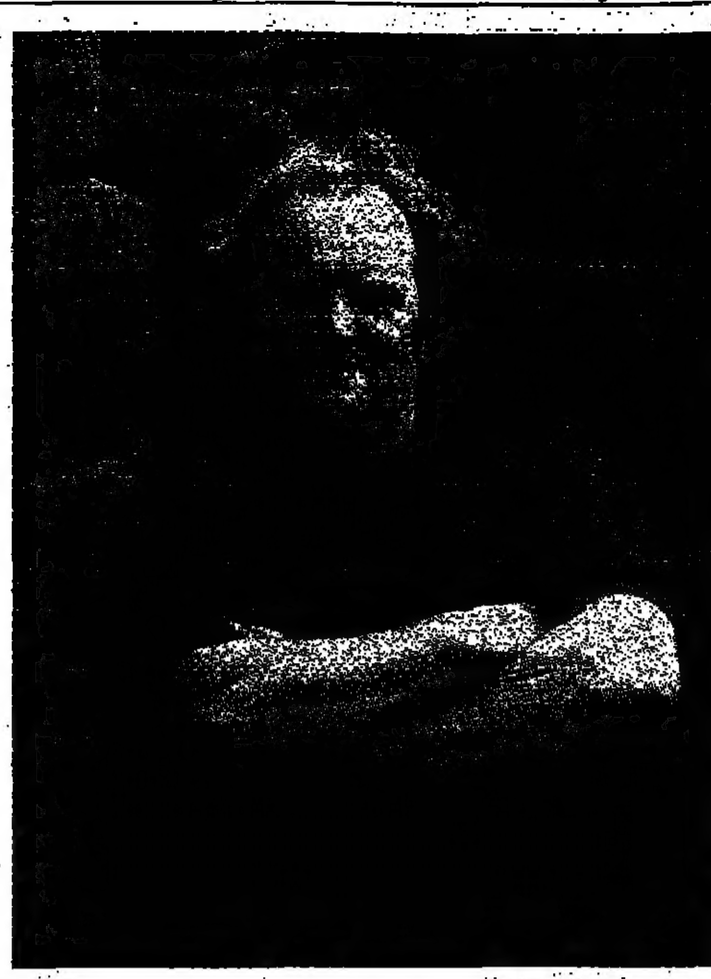
Two full-scale systems have been ordered for use in Ohio, and should be running by the end of the first quarter of next year. An agreement was signed last year under which Enercon America Distribution has to order 50 such units over the next five years.

Fairfull has been talking to several potential clients in Europe, is actively working on the possibility of a large plant in the UK, and says BOC's involvement will give extra clout to the marketing effort. The UK group already serves the tyre and medical industries, so knows many of the potential customers for the technology, says Anderson. In Brazil, Guttman hopes to have some smaller versions of the plants running before the end of this year.

Meanwhile, back in Sunderland Foster has spent at least £5,000 on developing his technique and patenting it. He has tried doggedly to find a company willing to exploit his concept, but several promising initial contacts from the UK and overseas, some with substantial businesses, came to nothing.

Peter Dufton, a senior consultant with the UK's Rubber and Plastics Research Association, sympathises with the desire to reduce the waste tyre mountain, but questions whether Foster's idea of making briquettes is the best option. "Who uses solid fuel any more in this country?" he asks.

Foster, though, is surprised by his lack of commercial success, and remains hopeful. "I've been told I would be a millionaire overnight," he says. "But I won't give up, it would be like throwing a baby out of the window."



Michael Scott

Brian Foster has patented a process which turns tyres into briquettes

New uses for old tyres

Few man-made things are more durable than the tyre, according to Goodyear, the world's biggest producer. In spite of the challenges, though, there have been big strides recently in finding new uses for old tyres.

In 1989, only about 10 per cent of the scrap tyres produced in the US were used again in some way. By last year, 183m of the US's 253m scrap tyres were recovered, and for the first time less than one third went to stockpiles or landfills.

Of those recovered, 136m were used for energy – in cement kilns, pulp and paper mills or for generating electricity – and other markets included agriculture, civil engineering and fabricated products.

This year, the US Scrap Tyre Management Council predicts 58m fewer tyres will go to landfills and 46m more will be used in energy recovery. This will lift the recovery rate for scrap tyres to 95 per cent.

In the UK, the Rubber and Plastics Research Association estimates that about 30m tyres are removed from cars and vans each year and a further 3m from lorries, a total of 450,000 tonnes. The European total is around 2m tonnes.

Of the UK's used tyres, the association estimates between 15 and 25 per cent are retreaded. Between 50,000-80,000 tonnes, or 12.5 to 20 per cent, are used at the Elm Energy plant in Wolverhampton to generate electricity.

A further 5-10 per cent are granulated into small particles for use as a surfacing material for playgrounds and sports tracks. Other uses, such as ballast for holding down tarpaulins in the countryside, account for another 5 per cent.

A small percentage are exported to other countries for retreading and reuse but this export market is declining.

The remainder – around half the total – are deemed unusable and go to landfill sites. But, with new legislation landfill operators are increasingly reluctant to take large quantities of tyres.

Disposal idea sinking

On the one hand are millions of used car tyres requiring disposal; on the other, eroding coastlines in need of protection – so why not create tyre reefs as coastal defences?

It is an alluringly simple idea. But closer study has indicated that it is not simple at all, says Chris Fleming, of civil consulting engineers Sir William Halcrow and Partners.

Fleming has been investigating tyre reefs for years; in the late 1970s the firm built one experimentally on the sea bed in the Arabian Gulf as an attraction for fish, but a storm ripped it out.

In the mid-1980s Humberside council in the UK, faced with serious coastal erosion problems, brought in Fleming and his colleagues to investigate whether reefs made of used tyres could help.

Fleming claims his team satisfactorily demonstrated that tyres would remain chemically inert in the seawater and would not release toxicity – one of the reservations voiced about tyre reefs.

"The problem," he says, "is tying them all together and producing sufficient weight for them to act as a defence. By the time you've done all that the cost is such you might as well use something a bit more efficient."

Meanwhile, East Riding council in Yorkshire is awaiting a shoreline management plan for its area which includes the coast between Flamborough Head and Spurn Point, where erosion averages 1.8 metres a year.

The management plan, grant-aided by the Ministry of Agriculture, Fisheries and Food and carried out by consulting engineers Posford Duvivier, will look at where a tyre reef could be located. But coastal engineer John Andrews, who is preparing the report, stresses: "I would want to distance myself from any comment on the efficacy of such a reef."

Fleming has concluded that tyres are probably better burned as an energy source than turned into reefs. "You have to do so much work to make the material usable that it's really not worth the effort."

هكذا من الأصل

Television/**Christopher Dunkley**

Game for a seduction

I am terribly sorry, but I rather like sport on television. Well, no, it is not really as simple as that. When I hear about the hours being devoted to the Olympics I am as appalled as the next man. All right, the next woman.

I was aghast at the prospect of Euro 96. But then, when the reality turns up, I am seduced. Not immediately, you understand. My disdain usually lasts through those preparatory documentaries – you know, "Behind the Scenes at the Training Camp" or "I Put the Chlorine in the Olympic Pool" – and usually I even manage to remain scornful through the programme about the opening ceremony. That dreadful American *vulgarity!* The hypocrisy about fitness and supreme effort when Tom Mangold and *Panorama* have already revealed the truth (or something like it) about Atlanta being what "some people" (i.e. Mangold) "are calling the drug Olympics".

Then the actual thing begins. Mr Moustache sits in limbo somewhere (is he in Atlanta or in London pretending to be in Atlanta? Who knows? Who cares?) and makes wry *comments* about showing us hockey when we know nothing about hockey, *and volleyball* when we know even less about that. He offers us bits of explanatory film about the rules and ruses of these sports and, like it or not, these *schools* programmes come on, complete with dinky diagrams full of arrows.

You groan as you realise that BBC people behind the scenes are *muttering* "Inform, Educate, Entertain", though you do learn for the first time about those weird corners in hockey where someone has to hit the ball very fast and some*one else has to stop it dead before* yet another person whacks it again.

To be honest, you have never in your life taken any interest in either hockey (why are the pitches flooded with *water?*) *or volleyball*, and since it is now well into the early hours of the morning you think, "This is ridiculous, why aren't I in bed?" Then Moustache Man comes on *again* with that extraordinarily relaxed style – like Dean Martin on tranquillisers, making you wonder whether he will put himself to sleep right there on screen one day – and says that the weightlifting is under way. "Well well," you muse fondly, "I remember those Commonwealth Games all those years ago when everybody got so excited watching that tiny chap called Precious Mackenzie lifting those absurdly heavy weights. I'll just have a teeny look." And that is it. Hooked. Done for. Seduced for the duration.

In the weightlifting . . . er, ring? arena? booth? there is this minute chap called Mutlu who, we are assured, used to be a Bulgarian but *is now a Turk. Why? Everyone* knows the Turks are nuts about weightlifters, but would that make you change your nationality? Anyway, Mutlu is about to try lifting above his head more than twice his own body weight, in one smooth movement. That is called The Grab. Or it could be The Snatch.

It is different from the other two-stage technique where you lift the weight up to your chest in one movement and then shove it over your head in another. That is called Cut and Thrust, or Clean and Jerk or something, and comes later. Looking at this enormous barbell it seems obvious that the tinpot Mutlu cannot possibly lift it, so we'll just watch him try and then go to bed.

He stares down at the weight, psyching himself up, slowly places his hands with intense deliberation, flexes his fingers round the bar, *thinks deeply, tenses his entire* body, and oh my God he's done it. In one muscle-rippling movement which has brought out every vein on his body and blown out his cheeks and his eyes, *he has lifted* that bar with the equivalent of himself sitting on each end and is standing there holding it up. The Turks in the audience are going bananas. And now his entire body is quivering as he keeps the weight above his head. Drop it, *for* goodness sake. He does, and three red lights come on from the judges. No lift. He took more than 60 seconds.

This is outrageous! That was the purest piece of individual competition imaginable: one man, alone, making this astounding effort – physical and mental, you could see both – and succeeding. The exertion and the elation were enough to bring tears to your eyes. And they disallow the lift? Well what happens next? *Over the next 20 min*utes what happens is that Mutlu's opponents make their lifts, he then comes out, tries again, succeeds inside 60 seconds, and then, at his third attempt, loads on more weight and breaks the world record. Pandemonium among the spectators, the trainers, and on the old green sofa in north-west London – where dawn will soon be visible over the chimney pots.

Would I stay up all night like this for *Murder One*, the 23-part American courtroom saga created by Steve Bochco, which was abandoned so precipitately by BBC2 after Episode 20 to make way *for* the Olympics? I would not. But that is not to say that the BBC was right in the way *it* treated British viewers who had turned *Murder One* into the sort of cult which it never became in the US.

A large part of the appeal of the *Olympics is that we watch them as* they happen; Mutlu's feat is still worth watching when a recording is shown the next day, but the greatest thrill is in knowing you are watching him do it in real time. On the other hand, the precise time when you watch *Murder One* is of no great significance. Because I have cable television I was able to watch the first UK screening by Sky in the new year (before writing a highly enthusiastic review here in February; well cults have to start somewhere).

Few of us would sit up until dawn waiting for an episode, even a climactic episode, of *Murder One*. But if we have followed a long serial this far, we are surely entitled to expect the broadcaster to keep the faith. If only the BBC would use its specialist second channel, BBC2, as the main carrier for time-consuming events such as the Olympic Games, and maintain its most popular schedules where they normally are, on BBC1, then non-sports fans would know where to direct their attention.

Murder One could have continued on Tuesday nights, moving to BBC1, in the slot occupied yesterday evening by the first in yet *another series about the supernatu*ral, and those of us besotted with the lifters and throwers and whackers could stick with BBC2.

Tour de force of 'Ithaka'

Controversy greeted a new play by Strauss, says **Della Couling**

In the Munich Kammerspiele theatre, 400 of the 600 seats were filled by critics. *The occasion was the recent* premiere of Botho Strauss's latest play (his 15th), *Ithaka*, based on Homer's account of Odysseus's homecoming. The cause *for this unprecedented* critical mass, however, was the playwright himself.

Three years ago Strauss published an article in the German weekly *Der Spiegel in which*, among other things, he attacked the tendency in Germany among intellectuals to disown things German, to wal*low in masochistic self-hatred*, to favour the foreign, to welcome everything that destroys Germanness. The reaction has been fierce and enduring, at *times resembling* a witch-hunt, and he has been accused of everything from betraying the German intellectual left to outright fascism.

The text of *Ithaka*, on sale two weeks before the premiere, was bought and analysed extensively in the German media in the run-up to the premiere, in a frenzy difficult for outsiders to comprehend. Strauss never gives interviews, so it was director Dieter Dorn (who has directed seven Strauss premieres) and the play's Odysseus, Bruno Ganz, who found themselves in the front line. They patiently fielded the often loaded questions from the press, some of whom innocently quoted lines that Strauss had lifted from Homer, to prove that Strauss is "not exactly liberal left".

This production begins with a bang: a huge plaster statue of Pallas Athene, centre stage, topples forward and smashes to the ground. From behind it, the androgynous figure of Athene made human (Sibylle Canonica) emerges and searches among the fragments for knee, wrist and collarbone, placing them stage front.

Penelope (Gisela Stein) rises slowly, sitting on her throne, grossly fat, with one of her suitors (Amphinomus – Stefan Hunstein) *beside her. She* laments her fate, the accretions of bodily fat, the outward manifestations of sorrow and affliction she has suffered since Odysseus's departure. The tone is slightly exalted, its *distance from normal speech* giving room for irony and quiet humour.

Three women dressed in black enter and each pick up *one of the fragments; they nar*rate in turn prior events in Ithaca, and sporadically return, to link the narrative and even the words of the characters: "he *added, rising from his chair*", "she looked at him in amazement". As Strauss says in a short introduction to the play: "This is a translation of read*ing matter into theatre. Just as* though someone raised his head from Homer's book and saw before him on a stage the long finale of Ithaca, as he ima*gines it* . . ."

Penelope and Amphinomus descend again and Odysseus appears – a shabby figure in battered armour. He encounters an old shepherd who soon emerges as Athene; and so the story takes its familiar course.

The suitors are almost a show in themselves. Strauss gives us 11, *allowing* him to flesh them out: the wily one, the blusterer, the bully, the wimp. They are leather-clad, brightly plumaged, punkish figures, little removed from recognisable modern types. "The war's to blame for everything," whines one, provoking a nervous laugh from the audience. *Their radical plans for* what each would do if he were king, are definitely not politically correct – but then they are the baddies, though some *critics seemed to forget that.*

The play is a brilliant theatrical *tour de force*, its pace is sustained and, like Homer's, full of gusto and wit.

There is much humour particularly in Ganz's magnificent Odysseus, the embodiment of Homer's wily, battered old warrior, his voice changing from *gummy, querulous old* man in his beggar's disguise to the stentorian tones of a still vigorous commander.

There was no scandal at the *premiere*, applause was long and enthusiastic. What the Germans among the 400 will write *could* be another matter.

Alastair Muir

Sensual and adult?: the appalling 'Voyeurz' fails to arouse

Theatre/**Ian Shuttleworth**

Bad trash in search of true eroticism

About 20 years ago, the first production of *The Rocky Horror Show* drew less than enthusiastic reviews, but it has since become a classic of the outrageous musical genre and a cult in its own right. If, in decades to come, the appalling *Voyeurz* under*goes a similar rehabilitation*, then we might all just as well give up now.

Let us first dispose of the hype: *Voyeurz* has as much to *do with lesbianism as a packet* of mixed nuts does with the Care in the Community scheme. Conceived, directed and composed by men, it is a *male vision of Sapphic* titillation. The only female creative input, Bunty Matthias's and Annabel Haydn's choreography, is at its most effective *when* least concerned with either plot or concept (and I use the words loosely), most notably in a captivating routine with three nude female *dancers swathing themselves* in white rubber sheets. Nominally yet another nod to fetishism, it is in fact a fine dance sequence.

Similarly, "lipstick lesbian" group Fem 2 Fem are merely the creations of their managers/composers/directors Michael Lewis and Peter Rafelson, *and as such* have all the "agenda" of The Monkees. The taped music is well-produced, electro-clubby stuff, but as for the lyrics . . . I consider myself a *connoisseur of alarmingly* duff rhymes, and this show contains more than I have heard since the heyday of Bernie Taupin; particularly execrable are the rhymes of "insane" with "escape", "Tantric sex" with "evil hex" and the immortal couplet, "How are you doing? What is your name?" – "Fine, thanks; I'm *Jane" (this last constituting* the opening of the breathily catchy "Sex on a Train"). Elsewhere we are advised that "The aim of Tantric sex is to *ride the bliss wave*"; *innocent* young Jane's first visit to the exotic club Voyeurz leads to a chorus of "She's in the Hole now, ooh, ooh".

I do not believe that these lyrics, or the show in general, are deliberately awful, simply lackadaisical and contemptuous of the audience: it is terrible, runs the plea, but its creators know as much, and therefore it qualifies as camp. This is the curse of postmoder*nism, and is not at all how the* trash aesthetic works.

Producer Michael White seems to be hoping, if not for a *succès de scandale* such as he enjoyed with *Oh! Calcutta*, at least for a cult following. On the evidence of the press night a core of acolytes has already formed; however, the group in *the front row* hefting their trainers on to the stage for the shoe-fetish sequence were outnumbered by the walk-outs – and the latter were not *stamping out in high moral* dudgeon but trudging in dispirited boredom, resigned to the fact that fun was not looming on the horizon.

Production values are high and successfully met, but one recalls the saying about a particular object which cannot be polished. Such laughs as there were, were *at* the performers *rather than with them.*

As the enticingly corruptable Jane, Sally Anne Marsh, fresh from clandestine heterosexual snogs in *Grange Hill*, has a *singing* voice with *all the* weaknesses of early Madonna, only more so. From the second to back row it was hard to tell whether she deserves profound sympathy *for finding herself* embroiled in such a farrago or lasting damnation for knowingly colluding in it. Krysten Cummings, as Jane's beloved Andi, has a fine soleful voice in the slightly over-impassioned 1990s mould, but is seldom called to use it upon more than inanities. Of the Hot Gossip-y *dancers, Robert Nurse (one of* only two men in the company) sticks in the mind for an ice-cool display of couldn't-care-lessness during "Stand Back".

This is intended to be sensual, "adult" entertainment. Yet surely the heart of eroticism is allusion, or at most tantilisation. *Voyeurz* is so consistently in-your-face (to name only the most northerly region) that it fails utterly to arouse.

At the Whitehall Theatre, London SW1 (0171-369 1735).

Music/**Stephen Pettitt**

Niceties lost among the dullness

As triumphant conclu*sions to ambitious festi*vals go, this one – actually not quite the last word in the Almeida Opera Festival, since a late-night recital by *Melanie Pappenheim followed* – was the dampest of squibs.

Gavin Bryars's music has never been noted for any pacey, upbeat optimism. Since the cult successes of the 1970s I have heard nothing that has caused the subtlest tremor in the *heart, the* vaguest conscious thrill in the mind. On the contrary, his formulaic harmonic progressions and accompanimental patterns, his lifeless rhythms, his colourless tunes, his awkward instrumentations, conspire to send this listener into a state of intellectual paralysis to escape from the dullness of it all.

Writing about the four works performed here by the Gavin Bryars Ensemble feels like describing a day at cricket where a dull draw is inevitable but time has to be served. I feel rather mean writing that, because he is sincere.

The *impulse* behind *"Incipit* Vita Nova", for countertenor (the well-controlled David James) and string trio, was the birth of a child to friends. It sets, in an undisturbed, cosy sort of way, the Latin fragments of Dante's "La vita nuova". "Les Fiancailles", for string quintet, percussion and guitar – developed from a scene for Robert Wilson's epic music theatre piece, *The Civil Wars* – was described by the *gentleman next to me as "The* Eric Coates of minimalism, like The Sleepy Lagoon".

Approving or not, he had a point. And the interruption of the Second String Quartet by the electronic arpeggio of some machine left under a seat pointed out, because it almost matched, *Bryars's lazy* round-and-round accompanimental figurations. The programme note said something about the composer paying attention to *the different ways a quartet* can cohere with diverse pairings, about his use of solo writing versus accompaniment in surprising ways, about the contrasts between homogeneity and heterogeneity. The problem is that if the basic material is this bland such niceties are apt to pass unnoticed. *And did.*

Five of the eight songs in the *Adnan Songbook*, which ended the concert, were receiving first performances. The Leban*ese writer* Etel Adnan's poetry, private and already with its own bleak, passionate music, must be difficult to set. Bryars does achieve something expressive in some of the poems: the ending of the last of the cycle ("we are not scared") is lovely. But again, the accompanimental figures, the ungrateful lines, the movement of harmony, the neglect of emotional variety and context, all are predictable. There are no surprises.

Valdine Anderson was a heroically committed, superb soprano soloist who deserved the torrents of applause she received. Nobody could have done more in the cause of less.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Roman Mekinulov and Charis Dimaras: the cellist and pianist perform works by J.S. Bach, Debussy and Shostakovich. Violinist Natsumi Tamai and pianist Maria Kulakowska perform works by Beethoven and Takemitsu; 8.30pm; Jul 26

EXHIBITION
Van Gogh Museum Tel: 31-20-5705200
● Van Gogh drawings, part I: each summer for the next four years the Van Gogh Museum will publish a volume of the catalogue of its collection of Van Gogh drawings. To mark each publication, a summer exhibition will be held. In the course of this four-year period more than 500 sheets will be displayed. The first exhibition in the series is devoted to the period from 1880 to 1883.
The exhibition also pays considerable attention to Van Gogh's drawing techniques; to Sep 15

■ BERLIN

EXHIBITION
Kunstgewerbemuseum – Tiergarten Tel: 49-30-2662902
● Restauriert, Konserviert – Neue Arbeiten aus den Werkstätten des Kunstgewerbemuseums: exhibition focusing on works from the museum collection that were recently restored; to Jul 28

■ COPENHAGEN

MUSICAL
Gladsaxe Theatre Tel: 45-31676010
● Hans Christian Andersen Musical: by Flemming Enevold, to music by Sebastian. Directed by Flemming Flindt and performed by the Gladsaxe Teaterkor. The cast includes Flemming Enevold, Lise Nees, Nis Bank-Mikkelsen and Jesper Vigant; Mon-Fri 7.30pm, Sat 7pm; to Aug 3 (Not Sun)

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● The Miller Orchestra: with conductor John Miller perform Moonlight Serenade, In the Mood, String of Pearls, Little Brown Jug and other Glenn Miller hits; 8pm; Jul 25

■ HAMBURG

EXHIBITION
Hamburger Kunsthalle Tel: 49-40-24862612
● Zeichnen ist Sehen: exhibition of a selection of 75 19th century French watercolours and drawings from the collection of the Budapest Museum of Fine Arts, including works by Delacroix, Corot, Manet, Cézanne, Rodin and Toulouse-Lautrec. Also included in the exhibition are some 65 drawings from Swiss private collections and from the collection of the Berner Museum, featuring works by Ingres and others; to Sep 8

■ LONDON

CONCERT
BBC Henry Wood Promenade Concerts (Proms) Tel: 44-171-9274791
● Bournemouth Symphony Orchestra: with conductor Yakov Kreizberg and violinist Christian Tetzlaff perform Berthold Goldschmidt's Passacaglia, Op.4, Mendelssohn's Violin Concerto in E minor and Shostakovich's Symphony No.11 (The Year 1905). Part of the BBC Henry Wood Promenade Concerts (Proms); 7pm; Jul 25
Wigmore Hall Tel: 44-171-9352141
● Piers Lane: the pianist performs Chopin's Polonaise-Fantasie in A flat, Op.61; 12 Etudes, Op.25, Nocturne in C sharp minor No.1, Op.27 and Impromptu in A flat, Op.29; 7.30pm; Jul 25

JAZZ & BLUES
Queen Elizabeth Hall Tel: 44-171-9210600
● The Ray Wordsworth Big Band: with director/trombonist Ray Wordsworth and special guest artist trumpeter/vocalist Alan Elsdon. This, the 27th Louis Armstrong Anniversary Concert, features numbers made famous by Count Basie, Bob Crosby, Duke Ellington, Benny Goodman, Woody Herman, Artie Shaw and "Satchmo" himself; 7.30pm; Jul 25

THEATRE
Barbican Theatre Tel: 44-171-6384141
● Romeo and Juliet: by Shakespeare. Directed by Adrian Noble and performed by the Royal Shakespeare Company. The cast includes Christopher Benjamin, Susan Brown, Julian Glover and Michael Gould; 7.15pm; Jul 26, 27 (also 2pm)

■ LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Los Angeles Philharmonic: with conductor Esa-Pekka Salonen and violinist Julian Rachlin perform works by Mussorgsky, Tchaikovsky and Stravinsky; 8.30pm; Jul 25

■ MADRID

EXHIBITION
Fundación Colección Thyssen-Bornemisza Tel: 34-1-4203944
● From Canaletto to Kandinsky: Master Pieces from the Carmen Thyssen-Bornemisza Collection: this exhibition features a selection of about 90 works from the Baroness's private collection. The display includes works by artists such as Monet and Sisley; to Sep 8

■ MOSCOW

EXHIBITION
State Pushkin Museum Tel: 7-095-2036974
● The Treasure of Troy: exhibition of some 260 gold and silver objects, excavated by the German archaeologist Heinrich Schliemann in Turkey in 1873. It was Schliemann's belief that these objects, including diadems, rings, necklaces and goblets, once belonged to the Trojan king Priamos, but later research has proved this to be untrue. The finds were brought from Berlin to Russia by the Red Army at the end of the second world war; to Apr 1997

■ NEW YORK

EXHIBITION
MOMA – Museum of Modern Art, New York Tel: 1-212-708-9400
● From Bauhaus To Pop: Masterworks Given By Philip Johnson: exhibition on the occasion of the 90th birthday of architect Philip Johnson, honouring seven decades of contributions by one of the MOMA's most dedicated supporters. The show features paintings, sculptures and drawings, as well as posters, design objects, and architectural models and drawings; to Sep 3

■ PARIS

EXHIBITION
Galerie Nationale du Jeu de Paume Tel: 33-1 47 03 12 50
● Un siècle de sculpture anglaise: exhibition focusing on 20th century British sculpture; to Sep 15

■ ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra e Coro dell'Accademia Nazionale di Santa Cecilia: with conductor Myung-Whun Chung and soloist Riccardo Cucciolla perform works by Beethoven and Brahms; 9pm; Jul 25

■ SALZBURG

EXHIBITION
Rupertinum - Salzburger Landessammlungen Tel: 43-662-80422336
● Louise Bourgeois. Skulpturen und Objekte: exhibition devoted to the French-born American sculptor Louise Bourgeois. The display gives an overview of her work between 1946 and 1992 and features some 15 to 20 objects; from Jul 25 to Oct 27

■ WASHINGTON

EXHIBITION
National Portrait Gallery Tel: 1-202-357-1915
● Louis Armstrong: A Cultural Legacy: video and radio clips of Louis Armstrong in performance, along with paintings, drawings, photographs and related memorabilia combine in this exhibition to create a portrait of a man who rose from poverty to prominence as one of the most beloved entertainers of his time; from Jul 26 to Oct 27

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.

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CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Edward Mortimer

Much to answer for

Ethnic identities in Africa are largely the invention of colonial missionaries but are no less real and no less deadly for that

In Rwanda two years ago between 500,000 and 1m Tutsis were killed by Hutus in an organised genocide. Today in neighbouring Burundi hundreds of civilians are dying each month in tit-for-tat massacres between the same two ethnic groups.

Many people assume that such "tribalism" is an endemic feature of Africa, and that the ethnic identities involved are long-standing and immutable, fixed by language and "blood".

Such, indeed, was the belief of those Hutus who planned the Rwandan genocide. They saw themselves as members of an indigenous "Bantu" majority which had been conquered and oppressed by a "Nilo-Hamitic" master race. This domination had been broken in Rwanda (though not in Burundi) by a "Hutu revolution" in 1959. But the Tutsi overlords, exiled to Uganda, were trying to make a comeback by invading the country in the guise of the Rwandan Patriotic Front. Their Tutsi kin remaining within were seen as a fifth column, which had to be pre-emptively slaughtered.

Yet as Alex de Waal of African Rights, the human rights organisation, wrote in the Times Literary Supplement while the genocide was still in progress: "Anthropologists and historians unite in deriding the description of Hutu and Tutsi as 'tribes', and even as distinct 'ethnic groups'. The two speak the same language, share the same territory and traditional political institutions, and – in spite of caricatures to the contrary – it is often impossible to tell which group an individual belongs to on the basis of physical appearance."

In fact the notion that Hutus and Tutsis had distinct racial origins was dreamed up by European conquerors and missionaries. First German and then Belgian missionaries thought the Tutsi rulers so sophisticated that "they could only have originated from a place geographically, culturally and above all racially nearer Europe", namely Ethiopia. Indeed Hutu identity itself, according to the anthropologist Catherine Newbury, was a creation of the common experience of Rwandese peasants excluded from power and privilege during the colonial era. Before that, "hutu" merely referred to the status of vassal.

De Waal's conclusion that "Rwanda is – or was – one of the true nations in Africa" begs an enormous question about what exactly a nation is. What is clear is that the Hutu and Tutsi ethnic identities as they exist today are a creation of the colonial era. But in that respect they are anything but unique, as Professor Terence Ranger, the Oxford historian of Africa, made clear in a debate on the nature of ethnicity at the University of Warwick in October.

Prof Ranger has worked in western Zimbabwe, known as Matabeleland today because it is now the home of the Ndebele, a clearly defined ethnic group with its own language, Sindebele. He found that "'Ndebele' ethnicity and the idea of an Ndebele tribe speaking only Sindebele are a product of the last hundred years."

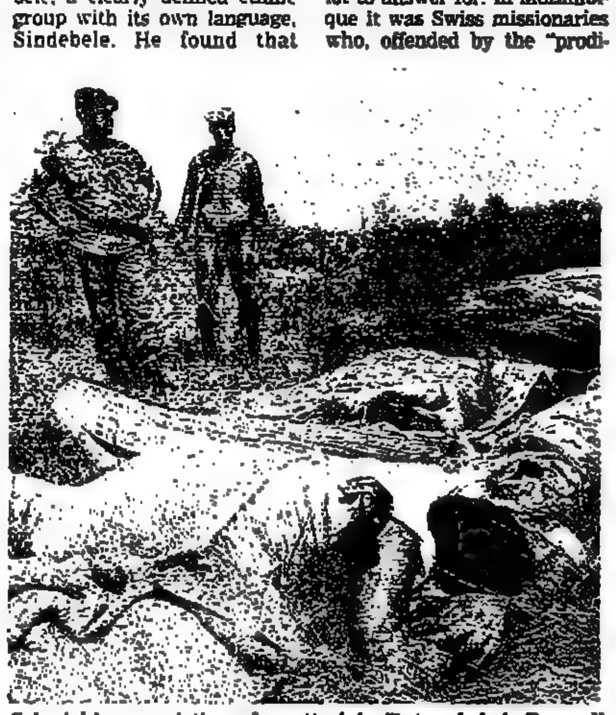
In the 19th century, he says, even after the authoritarian and structured Ndebele kingdom was established, western Zimbabwe was "a zone of intense linguistic interaction". When Jesuit missionaries established a huge farm at Empandeni, "they found the young men speaking Sindebele and began to write about their tenants as typical Ndebele. They soon discovered that these young men were members of conquered groups being absorbed into the kingdom's regimental system; their wives spoke Kalanga; and the Empandeni missionaries eventually came to write studies of typical Kalanga culture. But this desire to elevate one identity over another and to correlate it with language was much more characteristic of missionary than of indigenous thought."

Missionaries seem to have a lot to answer for. In Mozambique it was Swiss missionaries who, offended by the "prodigious linguistic diversity" of their prospective mission field, decided that "a large number of people shared the same linguistic past and that this (proto) Thonga language was rooted in prehistory". This belief, says Patrick Harries, the historian, "dovetailed with the view, dominant in Europe at the time, that language was the major determinant of modes and patterns of thought".

The same process of "selecting out and privileging one language or dialect – and assuming that language was the prime marker of identity" took place "throughout missionary Africa", according to Ranger. Colonial administrations made every effort to break up "inter-tribal" religious networks, but valued and supported "tribal" religion which bolstered the authority of chiefs; and the missionaries, "while preaching membership of the universal body of Christ, in effect created very localised churches, based in the village or at most in an ethnic *volk*".

But if late-19th century missionaries were influenced by views "dominant in Europe at the time", no doubt the same is true of late-20th century scholars. Ranger admits that whereas in the early 1980s he assumed it was desirable for ethnicity to be replaced by nationalism, he now thinks that "just like nationalism, ethnicity is neither bad nor good in itself". The issue now seems to be "not how to move from reactionary tribalism to progressive nationalism, but how to ensure interactions between a dynamic and inclusive ethnicity and a democratic nationalism".

Ethnicity, in other words, may be a relatively modern phenomenon but it is here to stay. And in places like Rwanda and Burundi it is all too dynamic. But just how ethnicities can become "inclusive" without challenging each other to mortal combat remains a question as hard to answer in central Africa as it is in Northern Ireland.



Colonial legacy: victims of an attack by Hutu rebels in Burundi

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e-mail: letters.editor@ft.com. Translation may be available for letters written in the main international languages.

Climate change challenge unequal

From Dr Ian H. Rowlands.

Sir, While few question the global nature of the climate change challenge, few also disagree that industrialised countries must take the lead in meeting it. In its recent advertisements (July 16-18), the Mobil Corporation helpfully highlights the global nature of this issue, but harmfully suggests that the political response should be globally uniform.

The growing concentration of greenhouse gases in the Earth's atmosphere has arisen largely because of industrialisation in the world's richest countries. Virtually any concept of fairness – be it, for example, "polluter pays", "ability to pay" or "equal rights" – dictates that the north should take the initiative in addressing global climate change. Indeed, that is what negotiators in Geneva are at present trying to do: to agree binding reduction targets for all OECD countries, in a manner that will be as efficient and equitable as possible.

What happens in the south is, of course, also crucial. Once the rich countries have demonstrated their resolve by fulfilling reduction commitments, the debate will rightly be broadened to consider all countries' future emissions. In the meantime, however, any attempt to portray this global issue as one that means "equal action worldwide" will only serve to stall the negotiations.

For the sake of the planet and its inhabitants, let us hope that this tactic soon runs out of fuel.

Ian H. Rowlands,
lecturer in international relations and development studies,
London School of Economics and Political Science,
Houghton Street
London WC2A 2AE, UK

ECB will favour lower Euro interest rates

From Mr Christopher Johnson.

Sir, In his generally friendly review of my book *In with the Euro, out with the Pound* (July 18) Christopher Taylor raises two important issues that requires some comment. First, he suggests that the European Central Bank, following in the footsteps of the Bundesbank, will set interest rates "too high from a UK viewpoint". This is an odd scenario to advance at a time when the key short-term rates are 3.30 per cent in Germany and 5.75 per cent in the UK.

Others, notably the Institute of Directors, have said that the UK should not join because it will need higher interest rates than the ECB wants, to keep inflation in check. The reason why German businesses support the euro is that they see it as a way of capping the strength of the D-Mark, which threatens exports and jobs in Germany. If Euro interest rates follow German in staying low while US interest rates rise, then the euro will fall, and the dollar will rise, so as to bring out a fair level of competitiveness across the Atlantic, to the advantage of Germany and other members of the single currency.

Second, Taylor says it would be wise for the UK to wait and see how the euro works out before deciding whether to join. To quote from my book: "Waiting longer will not help us to make up our minds, it will widen the rift between Britain and the single currency countries, which will move ahead fast and write their own rules without taking British interests into account. It will be like Britain's refusal to join the Rome Treaty in 1957. It may be many years before we join, and then it will be on their terms and not on ours."

Christopher Johnson,
39 Wood Lane,
London, N6 5UD, UK

Good reasons for sanctions against Burma

From Mr My Nyan Naing Oo.

Sir, Your article on activists who target European companies investing in Burma ("Western companies encounter protesters on road to Burma", July 12) highlights the continuing strength of feeling against corporate investment in Burma.

There is no doubt that this is now the right time for the European Union to impose co-ordinated and wide-ranging economic sanctions against Burma, for several reasons:

● For the self-interest of the EU. Surely more than words and condemnation are needed to make clear to the Burmese military government that the recent torture and subsequent death of a member country's (Denmark) honorary consul is not acceptable.

● Direct appeal from Daw Aung San Suu Kyi, leader of the democratically elected National League for Democracy. Her videotaped direct appeal to EU member states show that the people who she represents are in favour of any measure to force a dialogue with the military government towards a settlement of the worsening situation in Burma.

● There is no moral justification for the European Union to go on trading with a country whose appalling human rights record has been well documented. A mountain of evidence has emerged: most recently John Pilger's television documentary, several Amnesty International reports and many others, documenting use of forced labour for infrastructure projects and other gross violations of human rights.

Those who urge caution, those who view the situation purely from a simple economic point of view – i.e. those who take the view that any economic withdrawal will be simply replaced by another investing country – forget very quickly what is at stake. It was only a fortnight ago that Nelson Mandela, the South African president, thanked the people of Britain for taking a stand when their government was not prepared to.

Time and again, it has become obvious that political stability is a necessary precondition for lasting long-term investment and economic growth.

Nyan Naing Oo,
385 Richmond Road,
E Twickenham TW1 2DY, UK

Unwitting comment

From Ms Karen King.

Sir, I read Andrew Adonis' and Mark Suzman's article "So where's the melting pot" (July 20/21) with great interest. However, I noted the complete absence of analysis of the Chinese community's situation in the UK. I found the omission surprising, given they form a not insignificant proportion of the immigrant population. But it does unwittingly sum up the position of the Chinese in Britain today. While most people are willing to believe in the existence of racial discrimination against blacks and Asians, very few believe the Chinese suffer any such problems.

And in the case of the Chinese, I doubt that education will provide the solution. A few years ago, I sued a UK government-funded organisation dealing with Chinese affairs for racial discrimination in employment. At one point during the industrial tribunal hearing, the defendant said that of the 30 applicants for the post of deputy director, five had been of Chinese origin. None had been selected for interview. The reason given was that the other four applicants had been considered under-qualified. I had not been called because I was over-qualified. Although I won the case, I am not sure that matters have noticeably improved for the (educated) Chinese in Britain.

Karen King,
3, rue Comte de Ferraris,
L-1518 Luxembourg

Outdated read

From Mr Aldo Matteucci.

Sir, James le Fanu has reread M. Denton's *Evolution: A Theory in Crisis* (Books: "Mysterious by nature", July 20). What a pity he did not read S.J. Gould's *Dynosaur in a Haystack* instead. As shown therein, traditional forms of whales have meanwhile been found in the fossil record.

I enjoy your column on rereading certain books. It is great. Beware, however, of re-hashing long since discredited assertions on facts.

Aldo Matteucci,
13, av. de Budé,
1202 Geneva,
Switzerland

A venture across the pond

Andrew Fisher on why a German biotechnology company had to go to the US for new equity

It was a happy occasion, but tinged with regret. When Qiagen, a small German biotechnology company, held a press conference two weeks ago to talk about its listing on Nasdaq, the computerised US stock exchange, it criticised the conditions in its own country which had caused it to cross the Atlantic for new equity.

"Where there is lots of light, there is also plenty of shadow," says Mr Carsten Claussen, head of the company's supervisory board. As the first German company listed on Nasdaq, with an issue that raised $31m (£20m) at the end of June, Qiagen has gone where other high-technology companies from Germany are keen to follow.

But for Mr Claussen, a 68-year-old banker and lawyer who is a veteran of the capital market scene, it was a "sad experience" that Qiagen had to go "across the big pond" for new capital.

The company needed the money for its rapid expansion. Starting 11 years ago with three scientists – now dollar-maires on paper through the share issue – Qiagen, based near Düsseldorf, employs nearly 400 people worldwide. Sales grew 53 per cent last year to $37m and net income by 86 per cent to $2.4m. The company claims to be the world leader in products for separating and purifying nucleic acids (DNA and RNA), the molecules forming the genetic blueprints of life.

Mr Claussen says technology companies such as Qiagen have a struggle to raise equity, even in prosperous Germany. "This hinders growth and new technology and it is regrettable that not enough attention is being paid to this subject in the debate about Germany as an industrial location."

However, the message is not falling on wholly deaf ears. Politicians are increasingly aware that small companies create the most jobs. They can also see that equity and venture capital markets in Germany, with Europe's biggest economy, are far less developed than those in the US or Britain.

Thus the government's recently announced batch of measures to improve German capital markets is being prepared very much with an eye to helping the country tackle its acute unemployment problem, as well as making securities trading more efficient and transparent.

These measures include more investment freedom for mutual funds, lower capital requirements for securities issuing houses and a shortening of the six-year period in which quoted investment holding companies can sell stakes in companies without being liable to tax. The 30-year period under which banks and investment advisers can be held liable for the contents of prospectuses and their own advice will be shortened to six years and three years respectively.

Cuts in personal and corporate taxes, and the closing of loopholes enabling write-offs for such investments as container ships, should also help stimulate the environment for risk capital. So, too, should the proposed introduction of equity-based private pension funds (the details of which are still being worked out) to encourage more private provision for retirement.

Further down the road are more controversial moves to stimulate Anglo-Saxon type pension funds – which are large equity investors – by putting them on the same tax footing as pension reserves held inside German companies and used for internal financing.

For Qiagen, such reforms may be of little relevance now that it has its Nasdaq quote, made through a Dutch holding company for legal and tax reasons. But as the German biotechnology industry emerges from several years of public scepticism and opposition from political and environmental activists, shortage of development capital is an obvious hindrance to the high-tech sector.

Had Qiagen waited, it could have gone for a listing on a new small company market planned by Deutsche Börse, which runs the Frankfurt stock and futures exchanges. Called the Neuer Markt (new market), it will start in January. Around 10 companies have said they are keen to enter this market – the first will be presented in the autumn – and Deutsche Börse has a database of 350 potential candidates.

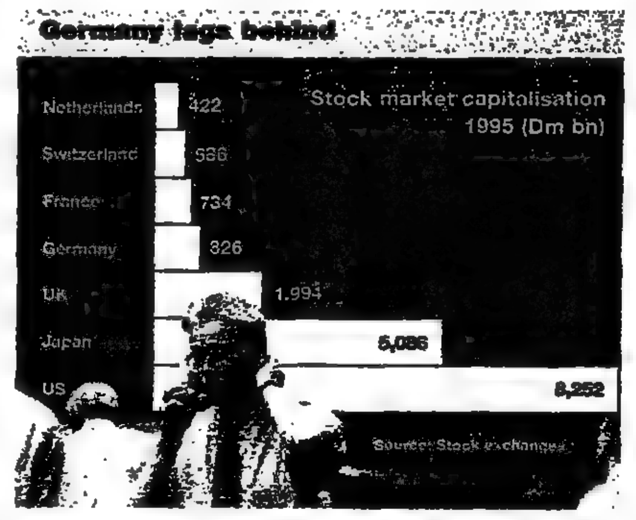
Once the Neuer Markt is in full swing, with some 30 issues expected in 1997 and about 30 a year thereafter, it will combine with France's Nouveau Marché (which started in February) and Belgium's New Market (also to be launched in January) to form the Euro. NM. The idea is to develop a decentralised European stock market for smaller, mainly high-technology companies. Euro. NM will be an alternative to Easdaq, which will start in Brussels in September as a European version of Nasdaq.

Qiagen was pleased with its Nasdaq issue. It was led by Goldman Sachs, the US investment bank, and still leaves management and venture capital firms (which earlier invested $9.5m) with a majority. Starting at $12, the shares moved above $15 to value the company at some $250m. US investors bought more than 60 per cent of the shares, with Europeans taking the rest. A stock option plan, a rarity in Germany, has been introduced for employees.

The company will use the issue proceeds to expand manufacturing capacity in Europe and the US. Most of its business is with research institutes, but it is pushing deeper into commercial markets such as genomics (gene mapping and sequencing), clinical diagnostics and gene therapy. About 60 per cent of sales – expected to exceed $50m this year – are in the US, with 30 per cent in Europe.

With Germany's Nasdaq debut now achieved, venture capital funds such as TVM Techno Venture Management, RBS (local savings banks) and Alafi Capital of the US will have an exit opportunity when they want to take profits in Qiagen. Mr Peter Kaleschke, a TVM director, hoped the issue would help give venture capital in Germany an impetus.

But what is really required is a local exit route for venture capital investors and a friendlier environment for risk capital. "German banks tend to concentrate on spreading risk," says Mr Metin Colpan, Qiagen's chief executive. "US banks, on the other hand, looked at promising individual sectors. "It's a question of culture."



FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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Neutral states become less so

The new-found keenness of the "neutral" members of the European Union – Austria, Ireland, Finland and Sweden – to participate in peacekeeping and humanitarian missions under a European aegis is a welcome landmark in the EU's development.

After a painful re-examination of old taboos, all four governments have concluded that zealous neutrality makes little sense in a Europe where the collapse of the Soviet threat has changed the meaning of security.

All four states have an honourable record of sending soldiers to serve in the blue helmets of the UN, and they apparently see no good reason to refrain from giving their EU partners the benefit of their peacekeeping experience.

Their willingness to take part in certain, low-intensity military operations will also undermine the arguments which have been used by Britain to oppose any rapprochement between the 15-nation EU and its embryonic defence arm, the 10-nation Western European Union.

Britain has repeatedly cited the sensitivities of the neutral nations, which have opted for associate rather than full membership of the WEU, to support its case for keeping the two organisations well apart.

But with every step taken by the four neutral states towards re-entering the European security game, and towards a closer relationship with the WEU, the British case becomes weaker. The EU and WEU will probably draw closer, without fully merging.

Nor need the prospect of closer security co-operation between all 15 EU countries imply any watering down of the role of the US as the guarantor of European security. Its help will, for the foreseeable future, be necessary to fend off any real challenge to the territory of its allies.

As long as peacekeeping operations are properly defined, the prospect of all 15 EU members playing their part in stabilising the world's trouble-spots will also be welcome to Washington, where officials are often bemused by European squabbles.

But perhaps the first contribution the "neutral" EU members should make is in helping to formulate a precise definition of the difference between peacekeeping and combat operations. The bitter experience of the US mission to Somalia shows how difficult it can be to mark out the limits of humanitarian intervention.

The so-called Petersberg tasks, a definition west European states sketched out in 1992 for missions they might undertake alone, are probably over-ambitious in scope. The Petersberg definition includes "crisis management, including peacemaking" – an unhappy and confused formula that could mean anything from emergency relief to outright military intervention.

The west Europeans would do well to show greater caution. They have already had a hard lesson in the danger of over-confidence in Bosnia, where they promised too much and damaged their credibility in the eyes of the world.

Musical chairs

Mr John Major's modest ministerial reshuffle will doubtless disappoint those who believe that purposeful government consists of an endless game of musical chairs around the cabinet table. Such critics make the same mistake as those who confuse bad policies with poor presentation.

That new ministerial blood is an inadequate substitute for strategic thinking has rarely been more evident than during recent years. Even before yesterday's changes no fewer than 70 ministers had left office since April 1992. The cabinet has been reshuffled five times and departments such as transport and agriculture have had three or four different masters. Yet the flood of fresh faces has done nothing to restore the government's standing.

Mr David Heathcoat-Amory's resignation from the Treasury has also underlined how Mr Major's constant search for political "balance" in his ministerial team has failed to quell Conservative infighting over Europe. So the prime minister was right to restrict the latest changes to the lower and middle ranks even if he once again ducked the opportunity significantly to reduce the size of the ministerial payroll.

Within those parameters, the promotion of Mr David Willetts, among the brightest of the 1992 intake of MPs, and the appointment of a woman to the formerly male citadel of the Whips Office, were sensible if unspectacular.

Mr Tony Blair, the Labour leader, does not exercise the same control over his frontbench team. He would have liked to cancel today's election to the shadow cabinet but was thwarted by his party's MPs. In response, Mr Blair has sought to render the election pointless by dissuading the most able contenders from standing against the incumbents.

The only remaining interest lies in whether Labour MPs decide to defy Mr Blair by refusing to back Ms Harriet Harman, the health spokeswoman. Though a close ally of the leader, she faces a possible backlash from colleagues over her decision to send one of her children to a selective school.

Ms Harman's fate, and the implications of Mr Major's reshuffle, will be the subject of much debate among MPs as they prepare for their long summer break. The reaction outside Westminster will be one of supreme indifference. And sure enough, a glance at the new party line-ups for the general election is enough to forgive the voters a yawn.

Uneasy allies

The uneasy alliance between South Africa's African National Congress and the trade union movement appears to be crumbling. Mr Sam Shilowa, general secretary of Cosatu, the leading trade union federation, has denounced the government's economic policy as a "recipe for disaster". Those are strong words, and the markets reacted yesterday with understandable nervousness: the rand dropped by one cent against the dollar.

Yet it was only to be expected that there would be a cooling in the relationship between the two sides. Last year was undoubtedly a honeymoon period, with fewer working days lost than in any comparable period for years. In contrast, the country is now in the middle of a bitter dispute by platinum miners, 28,000 of whom have been sacked as a result, although around half have been re-employed. In addition, the textile workers have called an indefinite national strike affecting some 82,000 workers from tomorrow. It is scarcely a strike wave, but it does suggest that the honeymoon is over.

That is probably no bad thing. The government has to make some tough choices in its economic policies, and it is unlikely to do so if it is always seeking to placate its union allies. The alliance was born in particular political circumstances, when the leading forces in the anti-apartheid struggle united to fight the first open elections. It is too broad a movement to conduct a rigorous economic policy.

The government's strategy, unveiled last month, centres on fiscal discipline, cutting the budget deficit, wage restraint, and a policy of gradual privatisation of state assets. It is a thoroughly commendable document, and sets out the essentials of a policy designed to attract foreign investors. When President Mandela was in Britain and France earlier this month, he sold it hard and well.

Mr Shilowa would have it otherwise. He would spend more government money to right the social injustices of apartheid. He is strongly opposed to privatisation, in spite of the fact that many state enterprises were blatantly political creations of the former white minority government. He accuses the government of bending over backwards to placate the International Monetary Fund and woo foreign investors. He says the country is succumbing to the "blackmail of the market".

Unfortunately for Mr Shilowa, his is a recipe for inflation, not job creation. There is a huge gap in black living standards to be closed, but it will only come about as a result of economic growth, not deficit spending. Foreign investment is essential if South Africa is to come near its goal of 6 per cent growth by 2000, and 400,000 new jobs. Domestic savings will simply not generate enough internal investment.

Mr Mandela's job is now to sell his policy as persuasively to his domestic audience as he has to foreign investors. That means adopting the same strategy with his allies as he did with his former enemies: in his own words, "dialogue, discussion, criticism and patience". Perhaps the most important word there is patience.

Classic Indian craftsmanship

The budget shows that highly politicised issues make it hard to address a dangerous public debt burden, says Mark Nicholson

The politician in Mr P. Chidambaram, India's finance minister, will have been delighted with the headlines which yesterday greeted his first budget for India's five-week-old United Front government. "All things to all men" was the headline in one daily newspaper. More than one used the phrase "please-all" budget.

But Mr Chidambaram, a radical economic reformer, may be less content with the fiscal impact of his first budget. While it contained some measures for further liberalising trade and foreign investment, this was not the brave first budget of a new administration determined to accelerate reforms in a post-electoral honeymoon.

In many respects it resembled a pre-election budget, keen to please as many as possible without greatly offending any. As the Business Standard newspaper editorialised, the budget contained "no Big Idea", and seemed "carefully crafted to prevent criticism".

The reason is simple, as Mr Chidambaram partly explained in Monday's speech. India's recent election produced an "unusually complex mandate", he said, bringing to government a coalition of "political parties of different complexions and different ideologies".

The United Front brings together 13 parties representing regional groups, parties rooted in lower castes, communist parties and "social justice" groups – all of which broadly draw support from the rural, agrarian poor.

Moreover, the coalition, which awkwardly embraces zealous free-traders and old-school Indian communists, does not command a parliamentary majority. It depends for support on the Congress Party, which launched reforms in 1991, and the Communist Party (Marxist), which distrusts much of what has happened to the economy since.

"Obviously politics was in the driving seat," says Mr Arjuna Mahendran, economist with Crosby Securities, an Asian securities house. "You couldn't see him getting a consensus to cut subsidies, and we expected more spending on agriculture."

There was accordingly a 28 per cent rise in subsidies, mostly directed towards fertilisers and irrigation for farmers. A further Rs24bn (£431m) was devolved to the states to spend on housing, water, rural roads and schools for the poor. There was marginal tax relief for the lower middle class.

In all such measures, Mr Chidambaram was bound by the coalition's Common Minimum Programme, the one agreed policy manifesto of the 13 parties, and its declared aim to balance economic growth with "distributive justice".

None of the reforms launched five years ago to open up trade and investment were reversed. This was welcomed by foreign banks and investors as a clear sign that India will continue along a reformist path, even if more slowly. "We're not going to see radical reforms as we might in other Asian countries," says Mr Chris Vermont, director of ANZ International Banking. "That's not the Indian way."

Mr Chidambaram even made some modest liberalising moves, promising to expand the list of 35 industries in which foreign investors can take stakes in companies of up to 51 per cent. Rules on foreign institutional investments were eased to double permitted stakes in individual Indian companies to 10 per cent, while allowing investment in some unlisted companies.

And tariff cuts continued, notably on metal, chemical, textile, electronic and other industrial inputs, which will cut India's average tariff by one percentage point to 27.5 per cent. But reforms were also balanced by nods towards Mr Chidambaram's more protectionist and leftist colleagues. The maximum tariff was left at 50 per cent, with a new 2 per cent "surcharge", increasing protection for consumer-goods.

Mr Chidambaram and his ministry have long argued that India's insurance sector must be opened to foreign and private investment, in particular to afford the kind of long-term finance essential to fund big infrastructure projects. But he said this would not be addressed until his next budget.

A longstanding corporate tax surcharge of 15 per cent was halved. But a fresh tax was introduced on "book profits" to catch the 1,000 companies which take advantage of allowances to pay no corporate tax.

Cuts in subsidies and overall government spending, the minister said, would be considered by soon-to-be-appointed commissions – in other words, deferred. And while announcing plans to raise Rs50bn through selling stakes in state assets Mr Chidambaram made no move towards full privatisation or structural reforms of India's sickly public sector.

"This was not the budget of a government expecting to last a five-year term," says Mr Arun Nehru, a former Congress minister and political commentator. "I expect, and I think a lot of the government expects, there will be another election within a year."

In part, such analysis is based on the view that the coalition will be too fractious to survive. One cynic has described the government as "a 13-stilt house built on quicksand".

Mr H.D. Deve Gowda, prime minister, has already had to exercise his powers of emollient negotiation to calm squalls over such issues as cabinet appointments. But the United Front is also vulnerable to instability from without.

Its support on the left can be assured only while the government does nothing the leaders of the Communist party (Marxist) consider "anti-people". The party has already attacked the government for recommending public sector job cuts and steep fuel price rises.

On the other flank, meanwhile, the government is vulnerable to defections should Mr P.V. Narasimha Rao resign as Congress party leader. He has resisted pressure from dissident Congressmen to resign as leader following the party's worst showing since independence during the last elections. But his alleged involvement in a $100,000 swindling case and other investigations for alleged corruption may force his resignation. Some in Congress and many ex-Congress factions in the governing coalition believe Mr Rao's removal would lead to a realignment that could shake up the United Front.

Fears for the coalition's survival are one reason why its leaders shy away from tough decisions in favour of more immediately popular moves. But there are others – notably the strength in the coalition of regionally-based parties such as the Uttar Pradesh-based Samajwadi Party and the Janata Dal. Their roots are at the level of state government which – unlike the traditionally more aloof Delhi government – is directly responsible for delivering most public services. Moreover, many are facing state-level elections within months.

The government's preoccupation with such immediate political issues is a constraint on taking tougher, longer-term economic decisions. But it also indicates that five years of liberalisation have not completely "depoliticised" the running of the economy – as Mr Manmohan Singh, the former Congress finance minister who launched India's economic reforms, claimed. The budget indicates that concerns such as the liberalisation of insurance, heavier tariff cuts, subsidy cuts and structural reform or privatisation of the public sector remain highly politicised issues.

And while they remain so, it will be hard for India adequately to address the growing and dangerous burden of public debt. Given buoyant growth of between 6 per cent and 7 per cent, Mr Chidambaram can entertain some hope of cutting the fiscal deficit to his target of 5 per cent of gross domestic product from last year's 5.9 per cent. Even if he succeeds, he would thereby trim the stock of debt to 61 per cent of GDP from 62 per cent and the proportion of government revenues spent on interest charges to 46 per cent of GDP from 47 per cent.

His ministry warned before the budget that the interest burden is becoming "unsustainable" and argued the only solution was privatisation, using receipts to reduce the debt. This is politically unthinkable for the government – as it was for Mr Singh and the previous Congress government. Mr Singh said last year that while he believed privatisation was the solution to the debt problem, it would have stirred opposition that risked "derailing" his reform agenda.

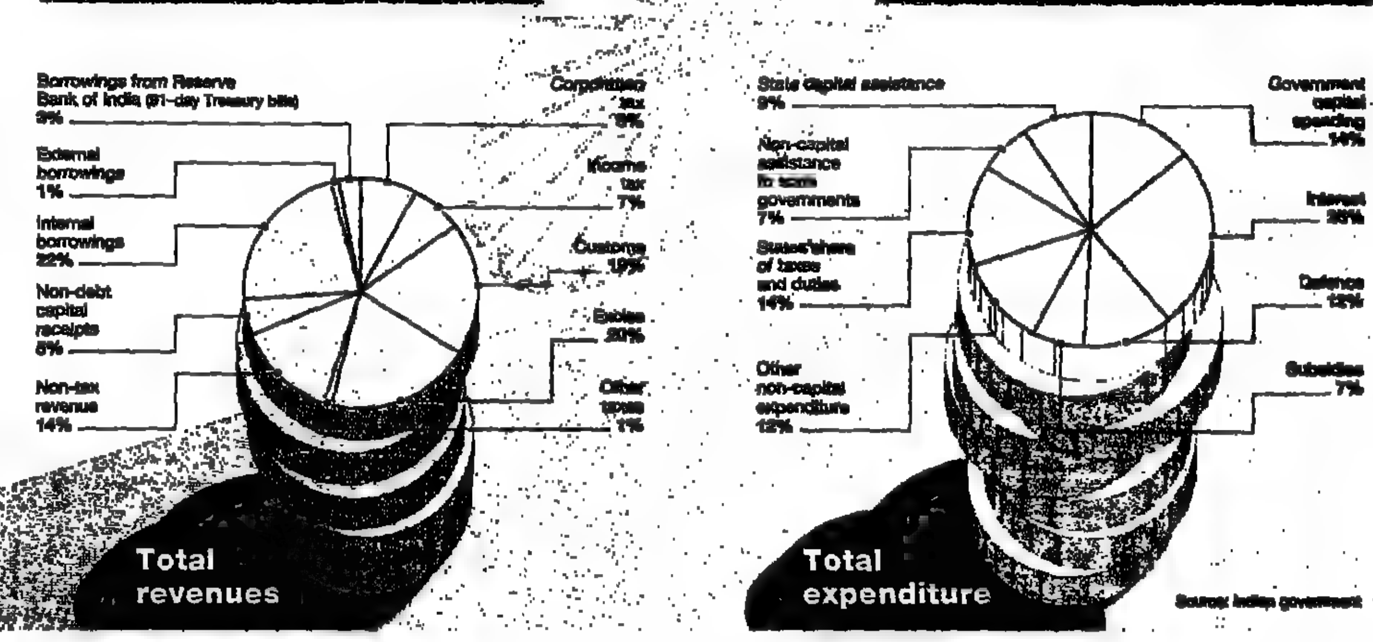
It took an economic crisis in 1991, when foreign exchange reserves would have barely covered two weeks' imports, to permit Mr Rao and Mr Singh to launch economic reforms. Some economists believe it will take another before the next radical stages of reform proceed.

"The nature of the political system and its balance of forces" has prevented India from regaining the fiscal surplus it lost in 1980, according to the economists Mr Vijay Joshi and I.M.D. Little. "We do not know by what combination of political forces this deadlock is to be broken," they write in a new book, India's Economic Reforms 1991-2001. "It may need another crisis."

India's budget: carefully crafted to avoid criticism

P. Chidambaram, finance minister

H.D. Deve Gowda, prime minister



OBSERVER

Open... and shut

■ No-one ever said that Russia's historic bid to shift from a communist superpower to a market economy, open to outside investors and outside ideas, would be easy. While the country has made remarkable progress, the transition has also created a curious hybrid of the old and the new.

This combination of communist habits and capitalist aspirations was on display yesterday at the White House, the seat of the Russian government.

In a demonstration of the sort of openness unheard of in the Soviet era, but commonplace in the new Russia, fuel and energy minister Yuri Shafranik invited reporters to a press conference to announce exciting news in his sector.

When the press corps assembled it was not initially disappointed: Shafranik revealed that four major Russian oil companies were on the verge of a merger. "Which ones?" the hacks cried.

But here, alas, the old KGB instincts kicked in. "That is a big secret," Shafranik replied. He left the mystery unresolved.

Name game

■ Bankgesellschaft Berlin, Germany's sixth largest bank, would seem to have served notice that it really means business in London.

It has hauled in Lord Dahrendorf, warden of St Antony's, Oxford, and Brian Quinn, who stepped down as executive director of supervision at the Bank of England in February, as non-executive directors of its UK subsidiary.

Very few other foreign banks bother with such embellishments to the notepaper. Subsidiaries (as opposed to branches) are required by the Bank of England to have a sprinkling of non-execs; they are however almost never outside bigwigs. (The latter may of course be called in as advisers).

Can only be good news for academics – but it is an expense that even Deutsche Morgan Grenfell hasn't incurred.

Finding Mr Fixit

■ Eamonn Gallagher has just been handed one of the most unenviable jobs in Brussels. Plucked out of retirement by the Irish presidency, Gallagher, a renowned Mr Fixit, has been asked to solve the impasse over funding trans-European transport networks.

The networks are the multi-billion Ecu infrastructure projects which are supposed to do for Europe what the 1950s highway construction did for the US, by linking the corners of the continent with better roads, rail and telecoms.

But most member states, struggling to pull public deficits back within the Maastricht targets, do not want to stump up extra funds.

Kenneth Clarke has formed a solid alliance on this front with Theo Waigel, German finance minister, while even the French, who love high-tech infrastructure, are not interested. And the private sector, having taken a look at Eurotunnel, is reluctant.

If anyone can work the magic, it is Gallagher. A former chief fisheries negotiator at the European Commission, he was also part of the team negotiating the terms of accession for Spain and Portugal. Ruairi Quinn, Irish finance minister, has told Gallagher to start by ignoring the British and working on the Germans to play the good Europeans.

Good tactics – shame the cause is probably doomed.

Alternate favours

■ It seems that Elisabeth Murdoch, 28, daughter of Rupert, has been appointed as alternate director to her father on the board of British Sky Broadcasting, the satellite company of which she is general manager.

Now, alternate directors, who stand in when the formally-appointed directors are too busy to show up, hardly represent to the powerful heights of which aspiring tycoons dream. Even when in triplicate: Ms Murdoch will also be alternate director on the BSkyB board to David DeVoe and Arthur Siskind, directors of News Corporation, which has a 40 per cent stake in BSkyB.

But alternate directorships have a way of turning into the real thing. They may give her a sliver of advantage in the never-ending race with her younger brother, Lachlan, for their father's job.

Murdoch, carefully grooming both for succession, clearly believes in the principle of "an heir and a spare" – but with the twist of keeping secret which person is which. Nothing like a bit of competition.

Lost in space

■ Problems seem to be dogging Europe's hitherto successful space industry at the moment.

Due in Paris at 2pm yesterday for the presentation of the results of an inquiry board investigation into last month's explosion of the new Ariane 5 rocket on its maiden flight from French Guiana, Dr Lennart Lübeck, the board's vice-chairman, arrived half an hour late.

"Flight delays" was the explanation given. One is tempted to wonder if his mode of transport was an Ariane 5 rocket.

Financial Times

100 years ago

The U.S. Election
The Populist Convention met yesterday morning and adopted a platform, the first plank of which is a demand that the National Currency be issued directly by Government and not through the intermediary of the banks. The second demand is a demand for the free coinage of silver at a ratio to gold of 16 to 1. The third plank is a demand that the volume of circulating medium in the country be increased by one fourth. The fourth plank embodied a demand for a gradual tax on income.

50 years ago

The German Problem
In the matter of Germany's future, events appear to be moving towards a decisive climax. America has offered to merge its German zone of occupation with any or all of the other three zones. This offer may well be accepted by the British and may be accepted by the French. The Russians seem almost certain to refuse it. Certainly, it is not an offer which can be accepted without serious thought by any country, however intolerable the present position may be. For its most likely result will be the arbitrary division of Germany into two parts.

FINANCIAL TIMES
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Intention to keep tight rein on inflation signalled

Bank of Italy reduces discount rate to 8.25%

By Robert Graham in Rome

The Bank of Italy yesterday announced a 0.75 point cut in the discount rate to 8.25 per cent as of today, but sent a strong signal that it intended to keep a tight rein on inflation.

The government and the business community had been expecting a full percentage point cut, but by being more cautious, the central bank let its concerns about inflation be known.

A brief bank statement accompanying the announcement said the move had been made possible by the decline in inflation, with an annualised rate below 4 per cent this year. On several occasions in recent months, Mr Antonio Fazio, the bank's governor, has said he would not touch rates until he saw the trend clearly pulling Italy below 4 per cent.

Preliminary figures for Italy's major cities revealed this week that consumer prices fell in July for the first time in 25 years and gave an annualised rise of 3.7 per cent. However the central bank is well aware this figure remains high by European Union standards.

The central bank's statement made it clear yesterday that any further cut in the discount rate would be unlikely until inflation fell below 3 per cent. The centre-left government headed by Mr Romano Prodi has forecast inflation for 1997 to average 2.5 per cent.

"The inflation forecasts point to a clear fall. It is realistic to estimate average inflation in 1996 under 4 per cent," the central bank said. "Monetary conditions are aimed at a further fall in inflation, beneath 3 per cent in the coming months and in 1997."

The bank's move, though less than hoped, was welcomed by government officials, who claimed it was proof that the monetary authorities now had given their seal of approval to the 1997 budget outline and their three-year macro-economic policy document.

Confindustria, the employers confederation, said that the cut was merely the first step in the right direction.

A 1 percentage point cut in interest rates means a saving of some L15,000bn ($9.8bn) over 18 months in the service burden of Italy's huge debt.

Commercial interest rates have been falling steadily since the end of last year and are now close to 7.5 per cent. But the discount rate remains the official benchmark.

Analysts last night said the timing of the move was not just conditioned by the latest inflation figures. If the bank waited much longer, it faced the risk that US interest rates might start moving upwards, which would have made an Italian cut more difficult.

The last change to the discount rate was in May 1995, when it was increased by 0.75 of a percentage point.

Israel and Palestine agree to push forward peace moves

By Julian Ozanne in Jerusalem

Mr David Levy, Israel's foreign minister, yesterday met Mr Yassir Arafat, president of the Palestinian Authority, opening the first high-level dialogue between the new rightwing Israeli government and the Palestine Liberation Organisation.

The meeting ended decades during which the rightwing Likud party has refused to talk directly with Mr Arafat and his senior PLO aides. Israeli officials said it signalled a step towards a meeting between Mr Arafat and Mr Benjamin Netanyahu, the Israeli prime minister.

Both sides described the meeting as fruitful and Mr Levy and Mr Arafat said they had agreed to continue contacts to push the peace process forward.

"We decided to formalise our relations and to create proper frameworks for examining the issues and advancing them," Mr Levy said after the meeting at the Erez crossing point between Israel and the PLO-ruled Gaza Strip.

Government officials said it marked the continuation of Mr Netanyahu's efforts to prove to Arab and western states that he was committed to advancing the peace process, albeit with significant modifications to agreements negotiated by the previous Labour-led government.

"We are honouring our commitment to the voters," Mr Netanyahu said in Jerusalem. "I said we will maintain contacts with the Palestinians which will evolve into ministerial levels. We are doing just that."

Palestinian officials said Mr Arafat urged Mr Levy to resume meetings of the joint steering committee overseeing implementation of the peace process; to set a date for the long-delayed withdrawal of Israeli troops from the occupied West Bank town of Hebron and to maintain a block on building Jewish settlements in occupied territories. Mr Levy raised Israel's demands for a reduction of PLO activity in occupied Arab East Jerusalem and improved security measures against Islamic extremists.

Political commentators said the meeting marked the continuing success of Mr Netanyahu in reassuring Arab and western states that his government is committed to continuing with the peace process. Mr Netanyahu earlier this month held meetings, viewed in Israel as successful, with US president Bill Clinton in Washington and Egyptian president Hosni Mubarak.

"The expectations of a full frontal confrontation between the Netanyahu government and the Arab world are not being borne out, at least for the moment," Mr Nahum Barnea, senior columnist with the Yediot Aharonot daily newspaper, said yesterday.

"Arab leaders, at least those whose gazes are set on the US, are giving Netanyahu the grace period which some Israelis are refusing him."

"Netanyahu is telling them that he is committed to the process. We believe you, they are telling him. Now prove it."

Israel eases blockade, Page 5

Samsung takes 5.1% stake in Hyundai

Continued from Page 1

friendly shareholders increase their equity stakes to 65 per cent. Shareholders considered friendly already control about half of Kia. Besides Hyundai, they include Ford Motor of the US and Mazda of Japan – which hold a combined 16.9 per stake – and company employees and subcontractors.

However, analysts believe that unless Kia achieves significant sales and profit growth, it will face a financial crunch that could lead to a forced merger with another carmaker.

Although it is Korea's ninth biggest conglomerate, Kia has focused almost exclusively on the car industry. Kia does not have the diversified industrial structure of most Korean groups and cannot rely on other businesses to bail out its car operations during bad times.

Kia's industrial specialisation, however, has won it the support of the government, which wants other Korean conglomerates to follow a similar core business strategy.

Kia last year reported a modest net profit of Won11.5bn after a loss of Won69.6bn in 1994.

Olympics organisers may be sued over TV chaos

By Jimmy Burns in London and Peter Aspden in Atlanta

Europe's public broadcasters may sue the organisers of the Atlanta Olympic Games for breach of contract after complaining that chaotic working conditions for journalists had undermined coverage of the opening events.

The European Broadcasting Union, the second-largest Olympic broadcast rights holder after NBC, the US network, is considering seeking the refund of some of the $250m paid for rights to the games, arguing breach of contract by the organisers.

Last night, Mr Richard Bunn, controller of sports rights for the EBU, said: "There have been some improvements over the last 24 hours, but not enough has been done. We have a contract to cover the games and we are looking at what legal action we can take to seek compensation."

Earlier, the organisers of the games admitted they still had not solved the technical problems which have prevented results of events being transmitted quickly to journalists and news agencies.

Mr Bob Brennan, spokesman for the Atlanta Committee for the Olympic Games (ACOG), said there were still glitches in the world press feed, devised by International Business Machines to provide customised data for news agencies, broadcasting companies and newspapers. "Some pieces of it are working, and some are not. We are working on it as hard as we can."

He said the problems on Info 96, the system which provides information to journalists in Atlanta through some 1,800 terminals, were gradually being solved. He admitted there had been some errors in data, but not an unacceptable amount considering the size of the system.

The EBU's head of operations Jarle Hoeysaeter has written to the Olympic organisers saying that working conditions had made it impossible for broadcasters "to deliver programmes of acceptable quality to their viewers and listeners in Europe".

One complaint is that "journalists had been prevented from gaining access to working areas such as commentary positions, camera positions ... even if they had all necessary credentials".

Another was that delays in transport to sports venues have "damaged transmissions because there was not sufficient time for testing and preparation, and in some cases the broadcasters, including commentators, could not reach their venue in time".

"It's something we didn't expect from the Americans. All the promise was of the best games ever seen. Instead we've had chaos," commented the EBU's head of TV programme division, Mr Wilfred Verlinde.

A dearth of medals, Page 3

THE LEX COLUMN

Monopoly money

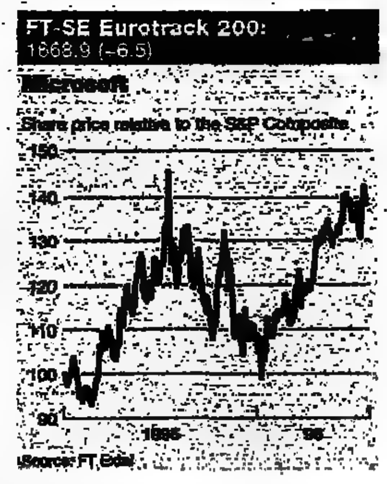
Microsoft has again demonstrated the joys of being a monopolist in a fast-growing industry: rising prices, higher volumes and lower costs. Personal computer hardware manufacturers have seen the industry's 20-25 per cent volume growth over the past year wiped out by vicious price-cutting. Not so Microsoft, which dominates PC software.

A cursory look at the group's results does not do full justice to Microsoft's position because it smoothes its earnings. About $500m in sales during the last financial year were not taken to the profit and loss account. Add them back and revenue grew 54 per cent, rather than the 46 per cent reported.

The revenue growth is explained partly by PC market growth, partly by new products and partly by price increases. Microsoft does not put up prices of existing products – that would smack too much of gouging captive customers. It merely charges more for new versions. For example, PC makers have to pay $43 for its Windows 95 operating system, compared with $33 for the older Windows 3.1. The next version, Windows NT 4.0, due to be launched in August, is expected to cost around $65 – roughly double the price of Windows 3.1.

Meanwhile, Microsoft's manufacturing costs are dropping: expensive floppy discs and "shrink-wrapped" boxes are going out; cheap CD-Roms, electronic distribution of software and licensing deals are coming in. The effect has been to boost gross margins in the latest quarter from 86 per cent to 89 per cent – or an astonishing 90 per cent once account is taken of the profits smoothing. That should keep Mr Bill Gates smiling.

FT-SE Eurotrack 200: 1668.9 (-6.5)



Japan

Investors are so nervous about a rise in Japanese interest rates that every twitch from the Bank of Japan sends tremors through the country's stock and bond markets. With the official discount rate at a postwar low of 0.5 per cent it is a fair bet that the next movement in rates will be up. But the odds are still against its happening soon.

While the economy is growing again, it is not growing fast enough to justify monetary tightening. Yesterday's quarterly economic outlook from the central bank still questioned whether Japan's recovery was self-sustaining. After a cracking first quarter, growth has moderated, though the 1996-97 fiscal year should beat last year's 2.3 per cent rise in gross domestic product. But for next year, most forecasters expect a slowdown to around 2 per cent. And the Bank of Japan is painfully aware that the last time it allowed interest rates to creep up, in September 1994, it nearly put paid to the nascent recovery. It certainly wants to avoid being made a scapegoat a second time by tightening too early.

That leaves the Bank in a tight spot. The numbers do not justify an interest rate rise at the moment, but it will be politically difficult to squeeze in a rise thereafter, given the autumn's supplementary budget, a possible general election and next April's rise in the consumption tax. That means higher rates could be delayed into 1997. This would be good news for the stock market and particularly for industries like cars and consumer electronics, which benefit from a weaker yen.

SmithKline Beecham

Yesterday's half-year results from SmithKline Beecham put it on a par with the best US drugs groups. Driven by newer products, like anti-depressant Seroxat, SmithKline's pharmaceuticals division is increasing sales and profits at a very healthy 15 per cent. The consumer healthcare operations even managed 22 per cent in the second quarter, buoyed by the launch of Nicorette anti-smoking gum. But that growth is not reflected in SmithKline's rating. On profit forecasts of £1.8bn ($2.8bn) for 1997, its shares are trading at around 16 times earnings – well below Pfizer's 22 times and Merck's 18 times. SmithKline's premium to Glaxo Wellcome, a company which is growing much more slowly, has almost disappeared.

There are two reasons for this. The first worry is that while sales are growing, margins are not – in the second quarter the trading margin slipped to 19 per cent. But this is because of high levels of marketing and research and development spending, reflecting forthcoming product launches. The second half should see the roll-out of treatments for cancer, Parkinson's disease and a new paediatric vaccine.

The second concern is SmithKline's weak cash flow. Again this has been distorted, in this case by high spending on new R&D facilities. Net debt of £2.3bn may look high, but is of little concern since interest cover is in double figures. And if the group needed more financial headroom to expand further in pharmaceuticals, it could sell its poorly performing clinical laboratories division – something it should consider anyway. Given compound earnings growth of 12-15 per cent over the next five years, the shares look cheap.

UK utilities

Investors are right to challenge United Utilities' new executive remuneration package at Friday's annual meeting. In itself, the company's new long-term incentive plan – which will reward top executives if United Utilities produces a greater total shareholder return than the average FT-SE 100 company – is not objectionable. In fact, schemes which align executives' interests more closely with those of shareholders are welcome. The real problem is that United Utilities has, at the same time, increased the basic salary of its chief executive by 25 per cent. Not only does the combination look over-generous but a high basic does nothing to spur executives to improve performance. By all means, pay more for top performance; but keep the basic low.

That said, there is a risk that the latest row will descend into another round of utility-bashing. It is easy to see why utilities are soft targets: they operate in politically sensitive sectors and some of their executives are second-rate. But the common notion that utility managers should be paid less than their counterparts in other industries is misconceived. Acting on it would merely be a recipe for continuing to employ second-rate executives – hardly in shareholders' interests. The better approach would be to sack those not up to the job and reward the rest as handsomely as their peers in other sectors. Unfortunately, if utility-bashing continues unabated, it will be increasingly hard to recruit talented executives.

Additional Lex comment on Stagecoach, Page 19

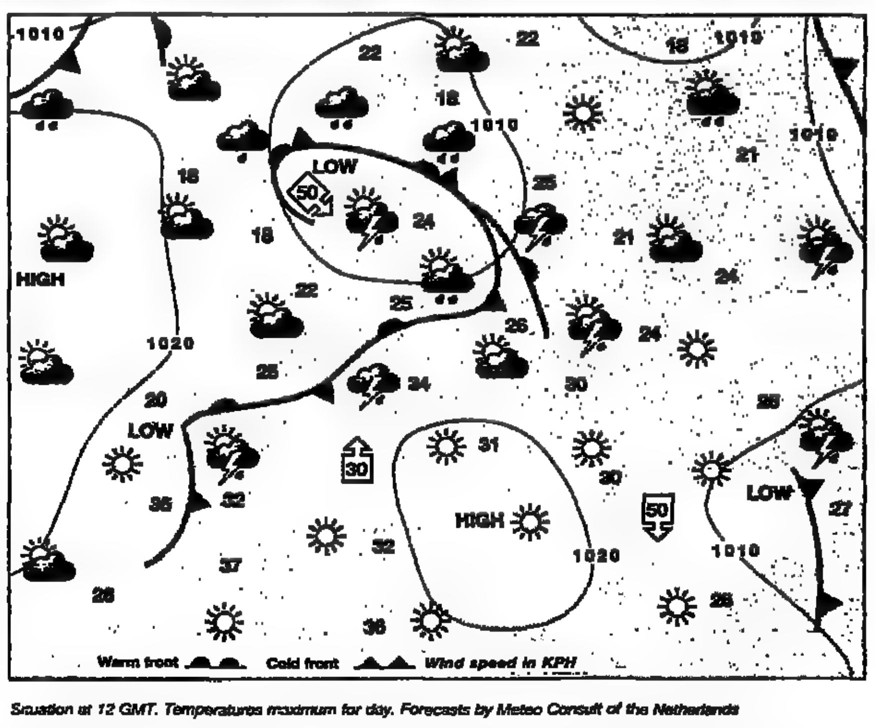
FT WEATHER GUIDE

Europe today

Ireland, Scotland, Wales and the western part of England will be dry with sunny spells. Eastern England, however, will be generally cloudy with occasional outbreaks of rain. Showers, some of which may have thunder, are expected in the Benelux, Germany, the Alps and eastern Europe. The showers will be accompanied by strong westerlies in the Benelux and northern Germany. The unsettled conditions will be caused by a low pressure system over the southern part of the North Sea. Its associated front will trigger numerous thunder storms in southern France and eastern Spain. Some of these storms may be severe with hail or damaging winds. Southern Italy, the southern Balkans, Greece and Turkey will be mostly sunny.

Five-day forecast

The British Isles and western Europe will continue unsettled with plenty of rain in Ireland and Scotland. Severe thunder storms will erupt over eastern Spain and the Alps tomorrow but clearing is expected on Friday and during the weekend. The northern Balkans will have a mixture of sun and cloud with a few showers but the southern Balkans will continue dry and sunny. Most of the Mediterranean will be sunny.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	43
Accra	fair	27
Algiers	sun	34
Amsterdam	shower	19
Athens	sun	30
Atlanta	fair	33
B. Aires	fair	16
B.ham	cloudy	19
Bangkok	thund	33
Barcelona	thund	29
Beijing	cloudy	34
Belfast	cloudy	18
Belgrade	sun	29
Berlin	cloudy	24
Bermuda	shower	31
Bogota	cloudy	19
Bombay	rain	30
Brussels	shower	20
Budapest	cloudy	25
C.hagen	shower	21
Cairo	sun	32
Cape Town	shower	21
Caracas	cloudy	31
Cardiff	fair	18
Casablanca	fair	26
Chicago	sun	26
Cologne	thund	23
Dakar	fair	30
Dallas	fair	[illegible]
Delhi	cloudy	28
Dubai	sun	42
Dublin	fair	18
Dubrovnik	sun	28
Edinburgh	fair	17
Faro	sun	28
Frankfurt	shower	26
Geneva	thund	27
Gibraltar	fair	30
Glasgow	sun	20
Hamburg	thund	23
Helsinki	cloudy	22
Hong Kong	fair	32
Honolulu	fair	32
Istanbul	sun	26
Jakarta	cloudy	32
Jersey	cloudy	18
Karachi	fair	35
Kuwait	sun	46
L. Angeles	sun	24
Las Palmas	fair	28
Lima	cloudy	19
Lisbon	sun	26
London	shower	20
Lux.bourg	shower	21
Lyon	thund	27
Madeira	fair	24
Madrid	fair	34
Majorca	sun	34
Malta	sun	28
Manchester	cloudy	17
Manila	fair	33
Melbourne	shower	14
Mexico City	cloudy	28
Miami	fair	33
Milan	thund	29
Montreal	fair	28
Moscow	shower	10
Munich	fair	26
Nairobi	fair	23
Naples	sun	30
Nassau	cloudy	33
New York	fair	29
Nice	fair	27
Nicosia	sun	34
Oslo	fair	23
Paris	fair	22
Perth	fair	18
Prague	shower	26
Rangoon	shower	30
Reykjavik	rain	14
Rio	shower	29
Rome	sun	31
S. Frsco	fair	22
Seoul	cloudy	32
Singapore	cloudy	32
Stockholm	fair	24
Strasbourg	cloudy	26
Sydney	fair	16
Tangier	sun	28
Tel Aviv	fair	33
Tokyo	fair	28
Toronto	fair	25
Vancouver	sun	25
Venice	fair	27
Vienna	cloudy	24
Warsaw	thund	22
Washington	sun	31
Wellington	fair	11
Winnipeg	fair	23
Zurich	thund	25

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday July 24 1996

IN BRIEF

Unions step up CFF rescue calls

Trade unions at Crédit Foncier de France, the troubled specialist property lender, stepped up political pressure for the state to support a rescue plan and a continuing role for the bank in funding low-income housing. Page 17

Saks in talks to control Barney's
Saks Holdings, parent company of Saks Fifth Avenue, said it was negotiating to take control of Barney's, the New York-based department store that filed for bankruptcy in January. Page 16

Restaurants and snacks drive PepsiCo rise
Strong growth in restaurants and international snacks helped PepsiCo to a 20 per cent rise in second-quarter earnings to $583m. Page 16

Smokers buoy RJR Nabisco
RJR Nabisco, the US food and tobacco group, raised net income 11 per cent to $212m, or $0.64 a share, before one-off items in the second quarter, helped by a buoyant performance in international tobacco. Page 16

Bertelsmann and Kirch in TV decoder plan
Bertelsmann and Kirch, the German media groups, are close to an agreement to launch a standard decoder for digital television, ending a bitter struggle between the arch rivals. Page 17

SmithKline rises strongly to £342m
SmithKline Beecham, the UK's second biggest pharmaceuticals company, confirmed its place as one of the fastest growing of world's big drugs companies with a 14 per cent rise in second-quarter pre-tax profits to £342m ($533.5m). Page 18; Aids drug trial result lifts Glaxo, Page 18

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Rheinmetall Brk	215	+	7
Varta	320	+	18
Falls			
Allianz	1091.5	–	16.5
Badenwerk	575	–	15
Viag	571	–	3.5
Volkswagen	515	–	7.2
NEW YORK ($)			
Rises			
Hershey Fds	77	+	4¼
UAL Corp	48	+	2¼
Vons Co's	37¼	+	2¼
Falls			
La Quinta	17⅝	–	3¼
Stratus	18⅞	–	6
Tidewater	38⅝	–	3⅝
LONDON (Pence)			
Rises			
Carpetright	647	+	23
Mersey Docks	383	+	36
Treatt	235	+	14
Wyevale	120	+	20
Falls			
Filofax	165	–	105
Zergo	230	–	10
TORONTO (C$)			
Rises			
Consol Euro	3.0	+	0.55
Emco Ltd	8.5	+	[illegible]
Softquad Intl	7.3	+	1.0
Falls			
Arbor Mem A	21.5	–	1.25
Champ Rd Mach	7.25	–	0.75
Trojan Tech	13.75	–	0.75
PARIS (FFr)			
Rises			
AGF	136	+	7.8
Canal Plus	1160	+	35
Promodes	1326	+	32
Soc General	566	+	17
Falls			
BIC	700	–	12
Taittinger	1527	–	24
TOKYO (Yen)			
Rises			
Calsonic	880	+	24
Fuji Spinning	585	+	22
M'bishi Chem	498	+	24
Nippon Paper	672	+	16
Falls			
Dai Tokyo F&M	789	–	19
Yamaha Motor	990	–	28
HONG KONG (HK$)			
Rises			
Amax Intl	1.17	+	0.31
Lung Kee	2.575	+	0.20
Union Bnk	8.4	+	0.20
Falls			
Kai Ming Inv	16.0	–	0.6
Oriental Hldgs	3.35	–	0.3
Truly Intl	2.175	–	0.27
BANGKOK (Baht)			
Rises			
Cptl Nomura	42.75	+	3.25
Ekkapat Fin	39.75	+	2.5
[illegible]	44.0	+	3.25
Falls			
Lee Feedmill	43.0	–	3.0
Nat Petro	31.5	–	3.25
Sasaki	54.0	–	5.5

New York and Toronto prices at 12.30pm

Daewoo makes offer on French jobs

Korean group sees country as platform in Europe

By David Owen in Paris

Daewoo, the Korean conglomerate, has told the French government it will create 5,000 jobs in France within five years if it is allowed to buy the multimedia arm of Thomson following the defence and electronics group's privatisation.

The Korean group, lined up by the Lagardère conglomerate as a buyer for Thomson Multimedia if its bid for Thomson is successful, has also undertaken to preserve all the consumer electronics subsidiary's French jobs. According to one individual familiar with the proposal, the company wants to make France its platform for continental Europe.

Lagardère, the missiles-to-magazines conglomerate, is up against Alcatel Alsthom, the telecommunications and engineering group, in the fight for Thomson. Lagardère is only interested in the Thomson-CSF professional/defence electronics arm to add to its Matra defence interests. But Alcatel has said it is ready, in principle, to bid for all of Thomson.

Although Daewoo's undertakings will be well received by the French government, which is battling to contain unemployment within a whisker of its highest-ever level, they are not as onerous as they might at first appear. Only a tenth of the money-draining Multimedia's 50,000 workforce is in France.

They may also be insufficient to override the pro-Alcatel sentiment of most people in Multimedia, who do not want to see their TV digital compression and decoding technology being shared – or carved up – between Lagardère and Daewoo.

Lagardère has said the one part of Multimedia it would like to keep or share with Daewoo is digital technology because of the synergy with its satellite business.

The privatisation took a further step forward yesterday with the submission to the government by Mr Marcel Roulet, the Thomson chairman, of his recommendations about the state of the group and how its sell-off should proceed.

The privatisation looks most likely to take the form of an agreed sale to either Alcatel or Lagardère. The winner is not expected to be known until the autumn.

The only public comment by Mr Roulet, a former France Télécom chairman whose sole job at Thomson is to see it into private defence-related hands, has been to say he will recommend the government should decide on a buyer in early autumn so as not to prolong uncertainty, and that it should keep a golden share to retain control over so important a defence asset.

Mr Roulet was asked to produce his report in February after the announcement by President Jacques Chirac and prime minister Alain Juppé that they had decided to privatise the group. Mr Chirac wants to see the creation of a privatised group, capable of striking new alliances with European partners and taking on US competition.

Morocco signs up Daewoo, Page 6

Salomon rises to $291m for quarter

By Richard Waters in New York

Salomon yesterday turned in its second strong quarter of the year with after-tax profits of $291m in the period to the end of June, signalling a greater consistency in earnings at the normally volatile US investment banking group.

Even in its record year of 1993, when world bond markets were rising in unison, Salomon bounced between high quarterly earnings and periods when it made a loss or barely broke even.

The latest results were underpinned by continuing high profits from fixed income trading. They also reflect a jump in earnings from equity markets and investment banking and exceed the net income of $278m earned in the first quarter of the year. In all, Salomon has earned $1bn in post-tax profits over the past 12 months.

Despite this, Salomon's share price continued yesterday to reflect stock market caution that its earnings are tied closely to the fortunes of the bond market. At $39⅝, up $⅝ during the morning, the share price remained below the company's book value, which stood at $40.08 at the end of June. Both Morgan Stanley and Merrill Lynch currently trade at more than 1.5 times book value.

Underpinning Salomon's latest earnings were revenues of $1.2bn at Salomon Brothers, its investment bank – more than double the level of the year before and 25 per cent higher than in the first three months of 1996.

While revenues from fixed income trading, at $706m, were slightly below the previous quarter's, income from equity sales and trading climbed $204m to $268m and investment banking earnings rose $70m to $251m.

The results were held back, though, by a $17m loss in its volatile Phibro commodity trading unit. This compared with a $128m profit at Phibro in the preceding period, and a loss of $162m in the 1995 quarter. Also, its Basis Petroleum oil refining unit recorded a loss of $18m, an improvement from the loss of $55m in the previous quarter.

Salomon's earnings during the second quarter amounted to $2.34 per fully diluted share, compared with a loss of 73 cents a year before.

Despite the further advance in quarterly earnings, Salomon's return on equity has remained steady at about 24 per cent, reflecting the growth in its capital base. Including its perpetual preferred stock, this had swelled from $4.1bn to $4.8bn so far this year, the company said.

Docks de France accepts improved bid from Auchan

By Andrew Jack in Paris

Docks de France, the quoted retailer, yesterday abandoned its fight for independence and accepted a modestly improved bid from the privately-held Auchan group.

Auchan's acquisition will create the country's fourth largest supermarket group, with combined 1995 sales of FFr111bn ($22bn). Although Docks de France had previously opposed an Auchan takeover, the board said it had been unable to find an alternative solution in the time available before the closure of the takeover offer at the end of this month.

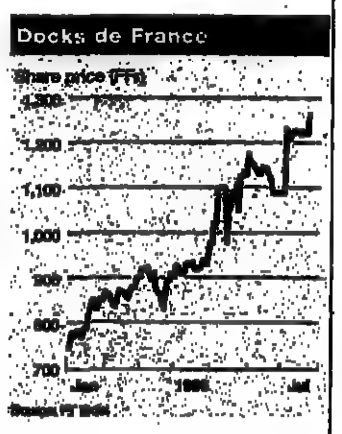
Board members agreed to sell their shares to Auchan at the improved level of FFr1,270 a share, up from an original offer of FFr1,250. The offer values Docks de France at FFr19.6bn.

In exchange, Auchan has provided a written guarantee that the "legal and operational autonomy" of Docks de France will be preserved, with the maintenance of its separate identity and respect for the group's employees.

It has also agreed to ensure a "harmonious transition" to a combined group and said its project was based on the "complementarity" of the two groups and their "mutual development".

Mr Michel Deroy, chairman of Docks de France, had rejected the suggestion that there were similarities between the two groups, saying they were like "fire and water", and dismissed reassurances from Auchan in the press.

However, some analysts believe there is considerable scope for economies realised from the combined purchasing power of the two groups, and relatively little duplication between their supermarkets geographically or in terms of size.



The founding families which will lose ownership, and the leading shareholders who sit on the Docks de France board between them control 22.6 per cent of the shares and 41 per cent of the voting rights. In an apparent gesture of defiance, Mr Gérard Toulouse, a member of the family who sits on the Docks de France board, said he had abstained in the board's resolution, although his shares will also be ceded to Auchan.

Docks de France, which was advised by Goldman Sachs, is believed to have discussed the possibility of alternative friendly bids involving French groups Carrefour, Promodès, and Casino as well as Tesco of the UK. It is also thought to have considered a "poison pill" to frustrate Auchan's bid.

The acquisition will cost Auchan about FFr16.5bn, since it already controls about 17 per cent of the shares. Auchan's accounting remains opaque, but it has said it has FFr5.5bn in cash which it will use to help fund the takeover.

Move follows shake-up at main UK customer

Filofax shares hit by warning

By Christopher Brown-Humes

Filofax, the internationally renowned personal organiser group, saw its shares fall nearly 40 per cent yesterday after it issued a surprise profits warning.

The UK group has been hit by worse-than-expected sales progress in Japan and the US and a re-organisation at its main UK customer.

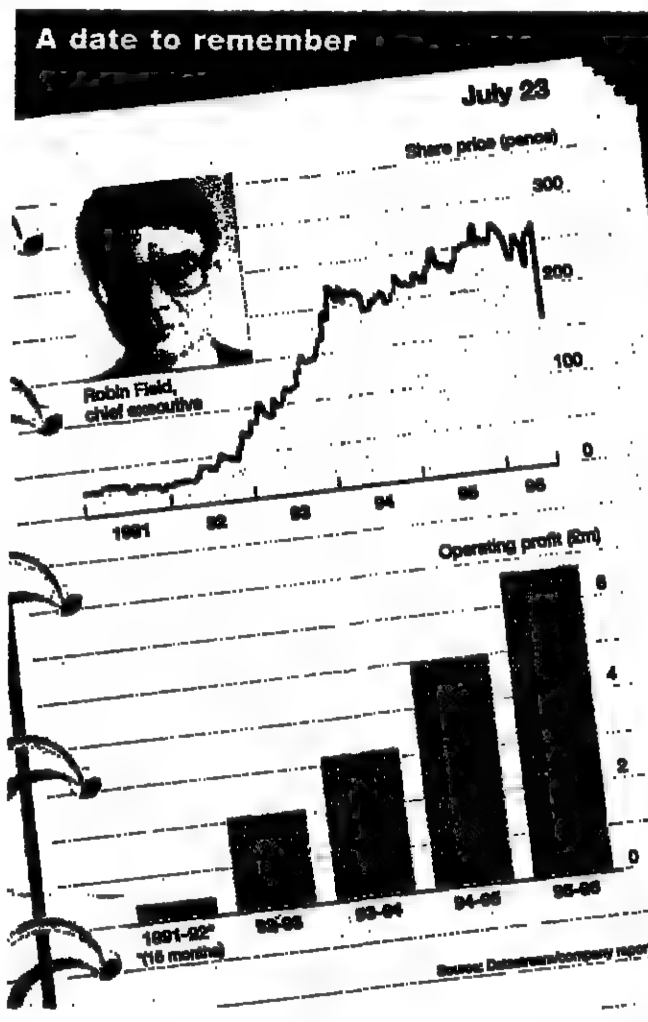
The shares fell from 270p to 165p, a significant setback for a company which has staged a strong revival from difficulties earlier in the decade. The group warned that first-half profits could fall to £2m ($3.1m) from £2.9m and the second half may not improve on last year's £3.7m.

The announcement caused surprise because it followed quickly on last month's results statement – when there was no hint of problems – and it was the first setback for current management.

Analysts lowered full-year forecasts from £8.2m to £5.7m. "This is a massive change of expectations for the company," said Ms Sonia Falaschi, analyst at UBS.

Filofax products sell in more than 40 countries. One country where the group has made progress is Russia, where its products have become a status symbol among the new rich. Mr Robin Field, chief executive, said the group had been hit by slow re-ordering by a Japanese distributor and slower-than-expected sales growth in the US.

But he said the main problem had been a change of strategy at W.H. Smith, the UK retailer which is the company's biggest single customer. Smith has decided to cut inventories and move to a just-in-time supply strategy, cutting Filofax's sales to the group in the short term.



Filofax expects sales growth to slow from 20 per cent to 10 per cent this year, hitting profits already under pressure from higher fixed costs after last year's acquisition of Topps, its main UK competitor.

Mr Field said there was no evidence that underlying demand for filofaxes was falling. "We have outlined a worst-case scenario," he said, noting that a recovery was expected in the second half. The dividend – raised 28 per cent last year – would not be cut, he said.

The Filofax was a spectacular symbol of the 1980s UK boom alongside the Porsche and the mobile phone - but an equally spectacular victim of the recession that followed it. Mr Field joined the firm in 1990 when the shares hit a low of just 13p. The group has seen its fortunes revive in the 1990s, helped by acquisitions and expansion abroad.

Barry Riley

Sex, tax and French bonds

About 10 years ago the French Treasury staged a global programme of roadshows to promote the international sale of French government debt. Videos were shown of girls in swimsuits diving into pools – surely only the French would use sex to sell bonds.

The campaign was successful and by 1993 foreigners owned about 35 per cent of the rapidly growing French public debt. But since then foreign holdings have declined in absolute terms – and more precipitately as a proportion, which may now be little more than 15 per cent.

Foreigners have been fleeing the dramatically narrowing yield spread against German bunds. Last year, the spread at the 10-year benchmark position averaged about 70 basis points and hit 100 in October. This year, though, it has been in free fall. As often as not since the beginning of May the spread has been slightly negative – about 4 basis points yesterday, for instance.

To a degree this convergence has reflected the conviction that the French franc and the German mark will become a single currency. But the remaining Emu risk premium is estimated by foreigners to be worth at least 20-30 basis points, hence they have been selling. It is a surge of domestic buying that has driven French yields below Germany's level.

For the explanation we must look to another marketing initiative by France in the mid-1980s. Instead of sex it involved tax relief. Incentives were given to life assurance contracts, which were primarily invested in government bonds. Since 1986, the value of outstanding life contracts has risen from FFr230bn to more than FFr2,150bn and could reach almost FFr2,500bn ($482bn) by the end of this year.

A surge of domestic buying has driven French yields below Germany's level

For the time being these domestic flows are cutting the cost of borrowing. But the cost of the tax concessions (the inheritance tax exemption is particularly influential) is heavy for a government scrambling for revenue from a torpid economy.

Minor cuts in the tax privileges last year failed to slow the growth of life policy sales, which have doubled in four years. Earlier this month, President Jacques Chirac warned more drastic changes were on the way.

Perhaps even more important than the cost is the distorting effect on the capital markets. French investors are piling into domestic bonds but they are leaving a vacuum in equities. US and UK pension funds have been building their stakes in the French stock market: in the first quarter of the year US investors were buying French equities at an annualised rate of $4bn.

This poses a cultural threat to the *dirigiste* French economy. The alien concept of *le shareholder value* is being aggressively touted by US investment banks. Perhaps it is what the French fundamentally need, but it is not what most think they want.

France lacks balanced investment institutions that can invest extensively in equities and bonds. The recent de la Martinière report on the French tax system recommended that some life assurance incentives be redirected to funded pension plans.

In fact about 600,000 people had taken out pension plans by the end of last year under 1994's Madelin law. But this represents a tiny proportion of the working population. The pay-as-you-go schemes continue to dominate, and powerful political and commercial lobbies oppose change.

Oddly, there is faster movement in Germany, where proposals were unveiled last week to lift the proportion of insurance company funds that can be invested in equities from 6 to 30 per cent.

Meanwhile, French bonds have been pushed to premium ratings, but now cannot provide the 7 per cent returns which life policyholders are used to. If introduced clumsily, tax changes could trigger a sell-off; there are also concerns that a general sharp rise in global bond yields could give policyholders an incentive to enforce the guarantees protecting them against capital losses.

But it would take more than a few pretty girls to persuade global bond fund managers to dive back into the French government bond market at these rates.

Robust sales at Schering, AHP

By Richard Waters in New York

Cost-cutting at American Home Products following its merger 18 months ago with American Cyanamid turned a 6 per cent rise in revenues in the second quarter of this year into a 30 per cent increase in after-tax profits, according to results released yesterday.

Meanwhile, Schering-Plough reported a sharp rise in sales of pharmaceuticals in the US, lifting its total revenues 11 per cent to nearly $1.5bn. Post-tax profits advanced 15 per cent to $317m, excluding a one-off charge of $160m in the 1995 period.

AHP reported net income of $391m on sales of nearly $3.5bn. The company said sales of pharmaceuticals rose 14 per cent, aided by the introduction of Redux, a treatment for obesity, and Naprelan, an arthritis drug.

Consumer healthcare sales rose 16 per cent. These gains dwarfed a 3 per cent increase in revenues from agricultural products and were offset by a 4 per cent fall in sales of medical devices.

The company's latest earnings were boosted by a 4 per cent decline in its production costs, to just under $11.2bn.

Selling, general and administrative expenses, on the other hand, rose 6 per cent to $1.3bn. AHP's earnings per share, of 62 cents, up from 49 cents a year before, were slightly ahead of expectations.

Schering-Plough's results were boosted by a 24 per cent advance in prescription drug sales in the US.

Worldwide revenues from Claritin, an antihistamine, rose 38 per cent to $347m, while sales of Intron A, an anti-cancer drug, increased 23 per cent to $125m.

The company's latest earnings were equivalent to $1.75 per share, up from $1.06 (or $1.51 before the effects of discontinued operations) a year before.

Smokers buoy RJR Nabisco

By Tony Jackson in New York

A strong performance in international tobacco helped RJR Nabisco raise net income 11 per cent in the second quarter, before one-time items, to $212m, or 64 cents a share.

Mr Steven Goldstone, chairman, said he expected continuing improvement in tobacco and a much better performance in food in the second half.

Worldwide tobacco sales were unchanged at $2.03bn, while profits rose 4 per cent to $552m. Domestic cigarette volume was 7 per cent lower, and sales were down 2 per cent at $1.2bn. However, the Camel brand increased volume by 4 per cent. Domestic tobacco operating profits were up 1 per cent at $390m.

International tobacco sales rose 4 per cent to $852m, as a result of higher pricing, while cost savings helped profits grow 10 per cent to $162m.

Volume was flat, chiefly because of delays in shipments to Russia, but had since recovered, the company said, and a return to double-digit growth was expected in the former Soviet Union in the current quarter.

Nabisco raised its net income 14 per cent in the quarter to $90m, while sales rose 6 per cent to $2.2bn. Big restructuring charges, previously announced, resulted in a $216 net loss.

Operating profit in domestic food rose 3 per cent to $237m on sales up the same amount. Operating profits in international food were 11 per cent higher at $63m on sales up 13 per cent.

● American Brands raised net income 2 per cent in the quarter before extraordinary items to $122m, while earnings per share rose 10 per cent at $0.69.

Sales of international tobacco fell 4 per cent to $1.3bn, while profits rose 1 per cent to $103m.

Gallagher of the UK raised its cigarette market share to 39.4 per cent, while the Benson and Hedges brand retained its 54 per cent share of the UK premium sector.

Steven Goldstone: expects second-half improvement

UK cigarette volume was down 7 per cent in the quarter but up 2 per cent for the first half. Export volumes in the quarter were flat.

Spirits sales, including Jim Beam bourbon and Whyte & Mackay Scotch whisky, were up 7 per cent at $337m, while profits were 1 per cent up at $57m.

Growth in restaurants and snacks drives rise at PepsiCo

By Tony Jackson

Strong growth in restaurants and international snacks helped PepsiCo to a 20 per cent increase in earnings for the second quarter, to $583m or 36 cents a share. The increase exactly matched that of PepsiCo's rival Coca-Cola, announced last week, though volume growth at Pepsi, at 4 per cent worldwide, was only half that of Coke.

In US drinks, profits were 14 per cent higher, with volume up 4 per cent and revenues up 7 per cent. Pepsi said the rise in volume and margins came in spite of aggressive price cuts by Coca-Cola.

Drinks volume outside the US was also up 4 per cent, though it declined modestly in Latin America – which accounts for a third of international volume – because of a downturn in Brazil. In spite of a 6 per cent rise in revenues, however, overseas profits were unchanged at $75m, the drop in margins being partly blamed on fast growth in lower-margin supermarket business in Japan.

Sales of snacks in the US were up 16 per cent, after an 11 per cent rise in volume. The 11 per cent volume growth in Frito-Lay represented the 10th quarter of double-digit growth in the last 11.

Operating profits rose only 9 per cent, partly because of the costs of competing for the business of Eagle Snacks, the Anheuser-Busch subsidiary which was closed during the quarter.

International snack sales rose 15 per cent and profits 28 per cent. One reason for the increase in margins was the performance of Walkers crisps in the UK.

In restaurants, US revenues fell 4 per cent to $2.1bn, though profits rose 20 per cent to $194m. This was partly because of a drop in same-store sales at Pizza Hut, the largest chain in the group, where US revenues fell 14 per cent and profits net of exceptionals fell 17 per cent.

However, underlying profits at Taco Bell and KFC rose 35 per cent and 64 per cent respectively, with same-store sales at KFC – formerly Kentucky Fried Chicken – 11 per cent higher.

By the end of the quarter, this year's capital spending had reached $964m, of which an unusually high proportion – 47 per cent – was spent on snack production. Share repurchases by the mid-year totalled 23.4m, at a cost of $725m, with a further 2m bought since.

PepsiCo shares rose $1 to 33¾ in early trading.

BankSA contribution helps earnings at Advance Bank

By Nikki Tait in Sydney

Advance Bank, which became Australia's fifth largest commercial bank when it acquired the former state government-owned Bank of South Australia for A$730m (US$577m) last year, has posted an after-tax profit of A$182.7m for the year to end-May.

The result incorporates an 11-month contribution from the BankSA business, during which period Advance said the acquired assets made around A$71.4m. In the previous financial year, Advance made a profit of A$119.7m.

The profit came after an A$14.8m amortisation charge, compared with just under A$500,000 in the previous 12 months. The total charge for bad and doubtful debts was also higher at A$14.7m against A$2.47m, and there was a A$6.88m restructuring expense, up from A$2.41m in the previous year.

These charges were partly offset by a A$13.4m profit on the sale of Advance's stake in Perth-based Challenge Bank. After allowing for all these items, Advance said the underlying profit stood at A$313.9m, compared with A$185m in 1994-95.

The bank said net interest income was A$599.8m, while other operating income (including the Challenge profit) reached A$153.9m. Total operating expenses, by contrast, were A$446.7m, against A$274.9m in the previous year. Business loan approvals increased from A$0.4bn to A$1.4bn, but residential loan approvals were static at A$3.2bn.

The group warned that its average interest margin had fallen last year – from 3.33 per cent to 3.23 per cent – and that competition had intensified since the end of May. Most banks had cut their basic portfolio rate and had been forced to respond to additional competition for non-bank lenders.

"The result of this competition is that interest margins over the ensuing year may decline and banks will need to respond with a variety of actions, including cost reduction," the bank said.

Saks in talks on Barney's

By Lisa Branston in New York

Saks Holdings, parent company of Saks Fifth Avenue, said yesterday it was negotiating to take control of Barney's, the New York-based department store that filed for bankruptcy in January amid an acrimonious dispute with its Japanese partner, the Isetan retailing group.

Under the terms of a working agreement between Saks and Isetan, Saks would take control of Barney's when it emerged from bankruptcy reorganisation, and Isetan would lease the locations it owns in New York, Chicago and Beverly Hills back to Barney's. Isetan would retain market rights to the Barney's name in Asia.

Mr Robert and Gene Pressman, the brothers who are joint chairmen and owners of Barney's, said they filed for Chapter 11 bankruptcy protection to force Isetan to restructure the partnership agreement. Isetan subsequently sued the Pressman brothers for $168m over a disputed loan it made to Barney's.

Ms Janet Kloppenburg, retailing analyst at Robertson, Stephens, said Barney's, which is known for its hip but expensive clothing, fitted well with Saks's older clientele. "It allows Saks to concentrate on its target market but broaden to also bring in a younger, more contemporary consumer," she said.

The move comes two months after Investcorp, the Bahrain-based investment group, spun off about a quarter of its Saks shares in an IPO on the New York Stock Exchange. Reaction to yesterday's announcement was muted on Wall Street, where shares in Saks fell $¾ to $29¾ in early trading.

Earlier this month, Dickson Concepts, the Hong Kong-based wholesaler and retailer, said it was considering a bid for Barney's.

Sales surge lifts Nortel 35%

By Bernard Simon in Toronto

A surge in US orders and global wireless equipment sales propelled Northern Telecom to higher than expected second-quarter revenues and a 35 per cent jump in earnings.

The Toronto-based telecommunications equipment maker's profit matched analysts' expectations, but its shares slid C$1.40 to trade at C$68.60 by midday. One analyst noted technology companies were being punished for not producing "what people were secretly hoping they would do".

Net earnings climbed to US$108m, or 42 cents a share, in the three months to June 30 from $80m, or 31 cents, a year earlier. First-half earnings rose to $191m, or 74 cents, from $142m, or 55 cents.

Revenues advanced 19.5 per cent in the first six months to $5.61bn. This included a 27 per cent rise in US sales, and a 37 per cent jump in wireless equipment, in which Nortel is a relative newcomer. Wireless now makes up 17 per cent of its business.

Second-quarter orders totalled $3.08bn, up from $2.55bn. The latest figure does not include a $1bn wireless equipment deal signed earlier this year with a US consortium headed by Sprint Communications, the long-distance telephone company.

Mr Jean Monty, chief executive, ascribed the advance in US sales partly to a higher market share. He noted that Lucent Technologies, one of Nortel's main rivals, reported a slower rise in sales.

According to Mr Monty, Nortel has been especially successful in signing up local phone companies for new Internet-related products, most of which are still at a trial stage.

An analyst said deregulation of the US telecommunications sector has yielded unexpectedly quick benefits to equipment suppliers. Internet services are expected to boost orders for public switching equipment, which until recently had become a lower priority for Nortel.

Mr Monty predicted that while 1996 revenues would surpass expectations, margins might be constrained by reliance on other suppliers' products in integrated networks, which have become an increasingly important part of Nortel's business.

Jean Monty: ascribes US advance to market share

Europe's contribution to revenues slipped to 24 per cent in the first half, from 26 per cent. Nortel signed up sizeable wireless accounts in Ireland and Belgium. But Mr Monty said slow economic activity dampened orders for office switching equipment.

Banamex profits up 35% at halfway

Banamex, the Mexican bank, saw net profit in the first half of 1996 rise 35 per cent on the comparable period to 1.29bn pesos ($169m), reports AP-DJ from Mexico City.

Second-quarter net profit was 717m pesos, a 25 per cent increase over the net profit reported in the first quarter of the year. Figures for the year-earlier period were not available.

Operating profit for Grupo Financiero Banamex-Accival (Banacci), of which Banamex is the banking subsidiary, was 876m pesos, 17 per cent higher than the first quarter of the year.

The group's operating profit in the first half of the year was reported at 1.63bn pesos, 35 per cent higher than in the first half of 1995.

The company said net profit in the first half of the year totalled 1.25bn pesos, 13 per cent lower than the year-earlier period.

Banacci said net profit for the second quarter alone was 745m pesos, 47 per cent higher than the first quarter of 1996.

Meanwhile, Acciones y Valores (Accival), the group's brokerage house, reported second-quarter net profit of 82m pesos, 19 per cent higher than the first quarter. First-half net profit was 151m pesos, a 62 per cent increase over the first half of 1995.

Growth of the past-due loan portfolio at Banamex slowed significantly in the second quarter of 1996, increasing by only 5 per cent compared with 9 per cent in the first quarter, and an average of 27 per cent per quarter last year.

Despite the slowdown in bad loans, Banacci said Banamex had continued adding to its reserves, now covering 75 per cent of its past-due portfolio. At the end of March 1996, reserves covered 64 per cent of the past-due portfolio. With the increase in reserves, Banacci said the ratio of past-due loans to the total loan portfolio fell to 2.5 per cent at the end of June 1996 compared with 3.5 per cent in March 1996.

The bank was also able to increase its capital-to-risk asset ratio to 14.2 per cent at the end of June 1996 from 12.8 per cent at the end of March 1996.

In June, Banamex issued $350m in convertible subordinate debt. Banacci said that issue completed 80 per cent of a recapitalisation program worth 8.54bn pesos.

● Empresas La Moderna, the Mexican cigarette and agro-business group, announced unexpected interim growth, with second-quarter operating profits up from 429m pesos to 559m pesos, reports Reuter from Mexico City.

First-half operating profit was 880m pesos, compared with 828.79m pesos in the first six months of 1995.

Sales were 6.99bn pesos in the first half of 1996 and 3.87bn pesos in the second quarter. Those were 25 and 22 per cent better, respectively, than the same period in 1995, when Mexico was in the depths of its worst recession in 50 years.

"The results came above what I had expected, with an excellent operating result," said Ms Georgina Gutierrez, of BBV Probursa brokerage.

However, the company's earnings per share, at 1.44 pesos in the first half of 1996 and 0.37 pesos in the April-June period, compared unfavourably with a profit of 1 peso a share in the first quarter.

NEWS DIGEST

Placer Dome hit by $40m provision

Placer Dome, the Vancouver-based metals producer, slipped to a second-quarter loss as a result of lower molybdenum prices, higher operating costs, and a US$40m provision to cover an accident at its 40 per cent-owned Marcopper mine in the Philippines. Operating problems at several mines have led Placer to cut its estimated 1996 output by 50,000 oz to 1.95m oz.

The net loss was US$32m, or 13 cents a share, in the three months to June 30, wider than a deficit of $25m, or 11 cents, a year earlier. Sales climbed from $235m to $299m. Placer's share of gold production from 14 mines in North and South America and Australasia rose from 428,000 oz to 477,000 oz, because of expansion at the Dome mine in Canada. Average gold prices received moved up from $392 to $407 an ounce, but cash production costs climbed from $214 to $246 an ounce. Higher costs were blamed on production problems at several mines, notably the Detour Lake and Sigma sites in Canada, and Porgera in Papua New Guinea. Average production costs for the year are now estimated at $235 an ounce.

Placer said it had begun dredging a river near the Marcopper mine to minimise the environmental impact of the accident, in March, which involved the leakage of mine waste from a drainage tunnel. The flow of tailings was stopped in mid-June, but ground-water is still draining from the mouth of the tunnel. *Bernard Simon, Toronto*

MacMillan Bloedel slides 20%

Weak Japanese timber markets, lower log and chip revenues and declining prices for paper and containerboard hit MacMillan Bloedel's second-quarter results. Canada's biggest and most diversified forest products group posted net income of C$58m (US$42.4m), or 44 cents a share, down 20 per cent from C$73m, or 55 cents, a year earlier, on sales of C$1.3bn against C$1.4bn. The latest quarter included a C$47m gain on the sale of MB's remaining 9m shares of KNP BT, the Dutch paper products group.

First-half profit was C$122m, or 92 cents, against C$138m, or C$1.09, on sales of C$2.5bn against C$2.7bn. The 1996 period included a C$79m gain on the sale of all its KNP BT shares.

In spite of improving North American construction activity, and the benefits of organisational changes, the second half was not likely to show any significant overall gain, said Mr Robert Findlay, president. "The pulp market seems to have bottomed out, but paper and containerboard prices will remain under pressure until the fourth quarter," he said. "Timber markets should remain steady with some improvement in Japan." *Robert Gibbens, Montreal*

Vitasoy hurt by recalls

Vitasoy International Holdings, the Hong Kong-based drinks and food manufacturer, yesterday revealed the impact of product problems earlier this year, announcing net profits of HK$30.6m (US$4m) for the 12 months to the end of March, a 75 per cent decline on the 1994-95 result.

The downturn reflected an exceptional charge of HK$79.9m stemming from the costs of stock write-offs, recalls and re-launch expenses after contamination of some of the company's drinks products resulted in sour-tasting products. The company is recommending a final dividend of 5.6 cents, maintaining the full-year payout at 9.6 cents. Earnings per share fell from 24 cents to 6 cents. *John Ridding, Hong Kong*

News Corp files Fairfax notice

Mr Rupert Murdoch's News Corporation yesterday filed a public notice saying it was no longer a substantial shareholder in John Fairfax, the Australian newspaper publisher. The advice was a technicality insisted on by the Australian authorities, and reflects no change in the media and entertainment group's stake. In terms of actual ownership, the holding has always been below the 5 per cent discloseable level.

Court documents have recently brought to light a deal struck last November between Mr Kerry Packer's Publishing and Broadcasting group and News, which would have seen the two media groups trade various assets – including the Packer stake in Fairfax, which totals about 17 per cent. The deal, which was not made public at the time, subsequently collapsed amid a dispute over its terms, and is now the subject of legal action. *Nikki Tait, Sydney*

Colonial Mutual listing date

Colonial Mutual, the Australian-based life insurer which has a large number of policyholders in the UK and New Zealand, yesterday indicated it planned to list on the stock market in the second quarter of 1997, assuming policyholders approve its plans to demutualise in November. *Nikki Tait*

Drug launch boosts Elan Corp

Elan Corporation, the Irish-based drug delivery company, reported a 51 per cent increase in pre-tax profits, from $18.7m to $28.2m, in the first quarter to June 30. The figures were lifted by the US launch in April of Naprelan, a stomach-friendly anti-arthritic drug. Total revenues were up 39 per cent, from $48.7m to $67.7m.

Elan reformulates and improves the delivery and absorption systems of existing drugs, and earns revenues from research, manufacturing and distribution, as well as royalty and fee income from its licensees. The company has about 65 products in its R&D pipeline, with 29 in clinical development.

Earnings from product sales were 50 per cent higher at $33.3m compared with $22.2m last time. The advance was attributed mainly to the first shipments from its Athlone manufacturing facility of Naprelan. Brokers estimate the product will contribute 40 to 45 cents to full-year earnings in 1996-97. Earnings per share for the period were up 30 per cent to 68 cents from 52 cents. Royalty and fee income, the second main source of revenues, was up 27 per cent to $22.2m, underpinned by six new licensing agreements signed during the period.

Research earnings grew 35 per cent to $12m, and included a $10.6m fee from Advanced Therapeutic Systems, an off-balance-sheet company set up to develop new drug delivery technologies. The results do not reflect the merger, which was completed on July 1, with Athena Neurosciences, a US company that specialises in treatments for neurological disorders such as multiple sclerosis, Alzheimer's disease and Parkinson's disease. *John Murray Brown, Dublin*

Teck edges ahead to C$20m

Teck, the Canadian mining and metals holding company that controls Cominco, posted second-quarter earnings of C$20m, or 20 cents a share, up from C$18m, or 20 cents, on fewer shares outstanding a year earlier. First-half profit was C$41m, or 42 cents, against C$40m, or 44 cents, a year earlier.

Teck is expanding copper production in Chile and in the first half spent C$9m on exploration in Mexico, Venezuela, Brazil and Peru. At June 30, its investment in Diamond Fields Resources, owner of the Voisey's Bay nickel-copper property in Labrador, was worth C$462m. However, Inco's takeover of Diamond Fields has been delayed by US legal action.

Cominco is studying expansion of its Peruvian zinc refinery from 100,000 tonnes a year to 230,000 tonnes. A Teck-led consortium recently won the right to develop the Vasilkovskoye gold property in Kazakhstan for US$85m. *Robert Gibbens*

PanCanadian Petroleum record

PanCanadian Petroleum, Canadian Pacific's main profit contributor, enjoyed record first-half production of oil and gas. Net earnings were C$152m, or C$1.21 a share, up 7 per cent from C$142m, or C$1.14, on revenues of C$1.3bn against C$813m, up 58 per cent. The second-half outlook is good, the company said. Though oil prices may weaken, output will be higher. Growth in gas output is being limited. *Robert Gibbens*

Bertelsmann, Kirch in TV decoder plan

By Judy Dempsey in Bonn

Bertelsmann and Kirch, the German entertainment and media groups, are close to an agreement to launch a standard decoder for digital television, ending a bitter struggle between the arch-rivals.

Both groups yesterday said talks were progressing well to launch a single decoder that will be compatible with the set-top boxes – the equipment required to unscramble digital TV signals – each had been developing separately.

"The details are being worked out. They will be announced on Friday", Bertelsmann said.

Mr Leo Kirch, founder and chairman of the Kirch group, had planned to launch his own decoder, together with DF1, his digital television channel, during the Formula 1 German Grand Prix this Sunday, as it was clear he had an advantage over Bertelsmann.

He has the technology and marketing in place, and an attractive package of programmes – including sporting rights, films, music and documentaries.

Mr Kirch also has an influential backer following this month's decision by BSkyB, the UK pay-TV channel controlled by Mr Rupert Murdoch, to take a 49 per cent stake in DF1.

The decision to agree on a common decoder was reached after talks between Mr Kirch, *Mr Mark Wössner, chairman of* Bertelsmann, and Mr Michael Dornemann, a Bertelsmann board member.

The pace of the talks quickened this week after Mr Murdoch and Canal Plus, the French pay-TV group, joined the negotiations.

Canal Plus, along with Bertelsmann and the Kirch group, is a shareholder in Premier, Germany's only pay-TV channel. Mr Murdoch was anxious to bring Premier close to DF1 as it already had 1m subscribers.

Leo Kirch: his group planned to launch its decoder on Sunday

Premier became involved in a tug-of-war between all partners, each side wanting to use it for its own digital television platform.

However, the possibility of a split market finally persuaded *all sides to go to the negotiating table.*

The growing consensus among Bertelsmann, the Kirch group, Canal Plus and Mr Murdoch was that in spite of the rivalry, and given the heavy start-up investments, it was preferable to join forces and launch a common decoder.

For Bertelsmann, the agreement amounts to a face-saving exercise. It had failed to match either the Kirch group's marketing strategy – which involves Metro, the German retailer, and Vebacom, the tele*communications* division of Veba, the German industrial conglomerate – or the group's programming.

The Kirch group will obtain assurances that even if some consumers opt for the Bertelsmann set-top box, there will be a common decoder which will give them access to the DF1 channel.

Unions step up pressure on state to back CFF rescue

By Andrew Jack in Paris

Trade unions at Crédit Foncier de France, the troubled specialist property lender, yesterday stepped up political pressure for the state to support a rescue plan and a continuing role for the bank in funding low-income housing.

The all-union committee placed a full-page advertisement in the Le Monde newspaper calling on President Jacques Chirac to help the institution, which reported losses of FFr10.8bn ($2.1bn) for 1995 after making provisions of FFr13.6bn.

It highlighted the president's comments during a July 14 television interview, in which Mr Chirac stressed the difficulties of the country's banking sector and the state's poor management of nationalised institutions.

Separately, MPs from the ruling majority allied themselves with opposition politicians yesterday to call for a parliamentary inquiry into the reasons for the problems at the lender.

The latest demands come as efforts continue to find an institution to recapitalise or take control of Crédit Foncier. There is believed to be only one serious candidate, although it is possible that the Caisse des Dépôts et des Consignations, the large state-controlled investment institution, may also intervene to save the bank.

However, there are growing indications that the deadline to find a solution by the end of July, set by the French eco*nomics ministry* earlier this year, will have to be extended.

At its annual meeting Crédit Foncier ran into problems in an attempt to approve a cut in its capital to cover losses, after shareholders expressed their dissatisfaction with its proposals. It will be forced to present new plans by October.

Meanwhile, the bank's staff are negotiating over a proposed restructuring plan which would demand net reductions of more than 900 jobs out of the current workforce of nearly 3,400.

The French state has come under growing criticism for its role in the management of the bank. Although it is not a shareholder, it sits on the governing board and appoints the chairman, or "governor", and his deputy.

One union representative said yesterday he hoped any outside group which took over the bank would be European, if it was not French, and that if no candidate could be found the state should extend its guarantee of support for the institution until October at least.

NEWS DIGEST

Ambroveneto posts sharp rise midway

Banco Ambrosiano Veneto, the Italian bank, announced yesterday that gross operating profit had risen to L440bn ($291m) in the first *six months of 1996, a 13 per* cent advance over the first half of last year, and confirmed the appointment of Mr Corrado Passera *(left)* as chief executive. Mr Passera was chief executive *of Olivetti, the Italian* computer group headed by Mr Carlo De Benedetti, who announced Mr Passera's departure unexpectedly last month. Ambroveneto, which has nearly 600 branches across Italy, *is one of the* banks which the treasury and Bank of Italy are courting as a partner for Banco di Napoli, southern Italy's largest bank. The conditions for a treasury-led recapitalisation of Banco di Napoli include an agreement on reducing labour costs – signed this week by managers and unions – and the support of other banks.

Ambroveneto took part in last year's emergency loan to Banco di Napoli but has not said yet whether it would be prepared to convert that loan into equity. A meeting of Banco di Napoli shareholders is due to take place next week to vote on the recapitalisation. An Ambroveneto spokesman said yesterday that the next board meeting at which a possible investment in Banco di Napoli could be discussed would take place in the third week of September, to approve the half-year results.

Andrew Hill, Milan

Jungfraubahn to go to market

Switzerland's top tourist attraction is to be floated on the stock market. The Jungfraubahn, which runs the 100-year-old railway up one of Switzerland's highest mountains, is planning to sell 25 per cent of its equity in a public offering. The railway, which carries around 500,000 passengers a year up the Jungfraujoch, is one of the most popular attractions for foreign tourists and has survived the downturn in Switzerland's tourist industry.

Last year was its second best ever, and bookings for the second half of 1996 are ahead of the record year of 1994. About three-quarters of the passengers *come from outside* Switzerland, and the dramatic railway trip is a firm favourite for tourists from the Asia-Pacific region. It also charges Europe's most expensive fares – a return journey, to what the railway company calls the "Top of Europe", can cost up to SFr150 ($124).

Jungfrau Holding last year reported net income of SFr16m *on revenues of SFr95m. It generated cash flow of SFr27m and* has financed two-thirds of its SFr130m long-term investment programme from its own resources. It has increased its annual dividend by SFr1 to SFr7 and, based on a current share price of around SFr220, is selling on a price/earnings multiple of 8. More than 80 per cent of the shares are owned by two regional banks, the Berner Kantonalbank and Berne's Spar and Leihkasse, and BKW SMB Beteiligungen, a local power company.

William Hall, Zurich

Pro 7 set for float

Pro 7, Germany's commercial television channel with close ties to the Kirch group yesterday said it would be ready to trade on the stock exchange next year after entering the pay-television market later this year. Mr Georg Kofler, chairman, said investments last year had doubled to DM1.3bn *($874m), compared with the previous year, a signal that Pro 7* was set to become a big participant in commercial television through acquiring distribution rights for films.

Group sales rose 23 per cent, from DM1.19bn to DM1.46bn over the same period, while profits advanced 14 per cent to DM184.4m. Mr Kofler said he was confident sales this year would rise to DM1.6bn and pre-tax profits to about DM200m. Rewe, the Germany retailer, holds a 40 per cent stake in Pro 7, while Mr Thomas Kirch, son of Mr Leo Kirch, the Munich-based media mogul, holds 24.5 per cent.

Judy Dempsey, Bonn

■ Rabobank Nederland, the Dutch co-operative bank, has bought a 51 per cent stake in Agricredit Acceptance Company of the US for Fl 50m ($30m). ACC is the finance company of agricultural machinery maker Agco of Atlanta, Georgia.

Reuter, Utrecht

Euro Disney net income falls 14% in third quarter

By Andrew Jack

Euro Disney, the operator of the Paris-based theme park, yesterday reported a 14 per cent drop in third-quarter net income, from FFr170m to FFr147m ($29.22m), after lower exceptional profits.

Operating revenues, however, were up 4.5 per cent to FFr1.4bn.

The group stressed that this increase came in spite of "a difficult environment" for tourism in Paris, reflecting the continued low levels of economic activity.

The park took measures, including later opening hours, to help boost attendance.

The figures are significant because Euro Disney has placed particular emphasis in attracting additional customers during its first three quarters.

The coming fourth quarter to September already accounts *for an average of 40 per cent of* annual visitors.

Income before exceptional items rose 60 per cent against the same period last year, from FFr91m to FFr146m.

Euro Disney said growth in revenues and continued cost control more than offset an increase in lease and financial charges, which are being phased back following the group's financial restructuring in 1994.

Total additional charges for the current financial year will be more than FFr120m, and *during the first half they* amounted to FFr74m.

It added that another reason for the increase in income was lower costs, since all of the marketing and launch costs of Space Mountain, its new ride which was opened in June last year, had already been written off.

The fall in net income came in part because in the third quarter of 1995 there was an exceptional gain of FFr79m.

This was mainly related to the repurchase of some of the group's convertible bonds.

Handelsblatt takes TV news channel stake

By Judy Dempsey

Handelsblatt, the German publishing group specialising in financial and economic publications, yesterday acquired a 25 per cent stake in Germany's n-tv, a 24-hour news channel.

The move was prompted by the merger of US groups Turner Broadcasting System, owner of the Cable News Network, and Time Warner. Until yesterday's deal, CNN and Time Warner held stakes of 33.08 per cent and 30.80 per cent, respectively, in n-tv. Under German law, owners of TV networks are restricted to a 50 per cent stake.

CNN, Time Warner and other shareholders, which include Nixdorf, the German electronics group, will reduce their stakes to make way for Handelsblatt, which publishes Germany's leading business newspaper. It will join n-tv by way of a capital increase. The figure was not disclosed.

The move by Handelsblatt is likely to sharpen the profile of n-tv, which has been struggling to gain market share and a larger slice of advertising revenue since it was founded in Berlin in 1992.

N-tv said it had an average daily audience of 2.7m and advertising revenue of DM116m ($78m) last year. It has been making losses but expects to break even by the end of 1997.

Handelsblatt, which has been co-operating with n-tv for the past two years, intends to introduce a morning business programme which will be launched in the autumn and will focus on Asian financial markets, and later during the day on European markets. It will also create two weekly magazine programmes on business, finance and investments.

Repsol shuffles board ahead of privatisation

By Tom Burns in Madrid

Mr Alfonso Cortina, who was last month appointed chairman of Repsol, Spain's *leading energy conglomerate,* yesterday reshuffled the group's board in preparation for its full privatisation early next year.

The changes on the 15-member board – reduced from 16 – reflect the equity positions built up over the past year in Repsol by Banco Bilbao Viz*caya and La Caixa, two of* Spain's main financial institutions, which have become core shareholders of the oil, gas and chemicals group.

BBV, the retail bank which owns 7 per cent of Repsol, will have three seats on the new board and its chairman, Mr Emilio Ybarra, becomes deputy chairman.

La Caixa, the Barcelona-based savings bank which has acquired 3 per cent of Repsol, will have two representatives on the board, one of whom will *be Mr José Vilasarau, its chairman.*

The reshuffle reduces the number of government representatives on Repsol's board from five to three. This follows the cut in the state ownership of Repsol from 21 per cent to 10 per cent last February in an international share placement *that raised Pta140bn ($1.11bn).*

Senior Repsol executives have also left the board under guidelines drawn up by Mr Cortina that clearly differentiate the group's share ownership from its management. As chairman and chief executive, Mr Cortina, a wealthy businessman who is a leading BBV shareholder and who ran Portland Valderribas, the cement group, will be the sole link between the board and Repsol's management.

Mr Cortina told the new *board the state was likely to* withdraw completely from Repsol, either through an IPO or through a block trade disposal, following completion next February of the 12-month "lock-out" period that was built into this year's placement.

The full privatisation schedule will not, however, deter Mr *Cortina from continuing* wide-ranging business strategies that were initiated by Mr Oscar Fanjul, his predecessor.

The most important of these are Repsol's expansion into Latin America and the develop*ment of its co-generation* potential to supply electricity.

Repsol significantly increased its downstream business in Latin America last month when it bought a controlling stake in Astra, Argentina's fifth-biggest energy group, and headed a consor*tium that acquired La Pam*pilla, Peru's largest refinery. Repsol also has oil drilling interests in Colombia, Mexico and Venezuela.

In its domestic market, Repsol is awaiting regulatory changes in the electricity sector before implementing ambitious co-generation plans that will harness the five domestic refineries that it operates to the national electricity grid.

Mr Cortina is also studying a Pta130bn joint venture with Iberdrola, Spain's second-ranked electricity generator, to produce *gas from the residues* of the refining process under a system called IGCC (integrated gas combined cycle).

Euromerchant acquires 95% of Interbank

By Kerin Hope in Athens

Euromerchant Bank, the private bank controlled by the Latsis shipping group, has acquired a 95 per cent stake in another private Greek bank owned by Banque Worms of France, in a move *expected to* sharpen competition in Greek banking.

The acquisition of Interbank creates Greece's third-largest private banking group, with combined equity capital of Dr41bn ($174m) and assets of Dr530bn. Banque Worms, part of UAP, the recently privatised French insurance group, will retain a 5 per cent stake.

Euromerchant executives would not put a price on the deal, announced yesterday, but local analysts said Latsis paid about Dr17bn for Interbank. Both banks were set up in the early *1990s when Greece's central* bank handed out half-a-dozen new banking licences. Its aim was to modernise Greek banking by loosening the state's grip on the sector.

Euromerchant, one of seven private banks *around Europe* controlled by Latsis, was the only Greek bank to make a bid for Interbank. It stepped in after negotiations fell through between Banque Worms and HSBC, which planned to use Midland Bank's branch in Athens as a vehicle for the acquisition. ING of the Netherlands and Banque Nationale de *Paris had also shown interest* in buying Interbank.

Mr George Gonticas, Euromerchant chairman, said yesterday: "The two banks make a good fit: we have a strong presence in the corporate and *investment banking market,* while Interbank has concentrated on developing consumer lending and other retail products and developing a branch network."

He said the two banks would continue to operate separately for the moment but would co-ordinate lending and other activities. Euromerchant's customers include many leading Greek companies, while Interbank lends mainly to small and medium-sized businesses.

The banks are expected to merge soon in order to carry out plans to double their joint *network to 60 branches over* the next five years, and expand in Albania and Bulgaria.

Gas pipeline from Algeria on schedule

By Peter Wise in Lisbon

A Es500bn ($3.27bn) project to supply Portugal and Spain with natural gas through a pipeline from Algeria is to be completed this year on schedule and under budget.

Transgás, the Portuguese natural gas operator due to be privatised in 1997, says that the 2,500km high-pressure pipeline will be completed in November. Natural gas is to be marketed in Portugal from January.

Mr José Manuel Elias da Costa, Transgás president, said many analysts had questioned the capacity of the countries and operators involved to complete the project in three years and without incurring extra costs.

"We believe we have pulled *off a remarkable* achievement," he said.

The pipeline runs from Hassi R'Mel in the Algerian desert through Morocco, across the Straits of Gibraltar to Córdoba in southern Spain and along the coast of Portugal.

An extension linking northern Portugal to northern Spain *is to be completed* by June 1997.

Portugal is the only European Union country not yet consuming natural gas. Spain receives supplies through a pipeline from France.

The new and existing networks are due to be linked in Spain by 2000, creating a circular supply network.

Portugal's socialist government plans to begin *privatising* Transgás in the second half of 1997, after the natural gas network is fully operational and firm sales trends can be established.

Portuguese officials favour the acquisition of a holding in Transgás by Sonatrach, Algeria's state-owned oil and gas company. Transgás is to purchase 2.5bn cu metres of natural gas a year from Sonatrach for 25 years under a take-or-pay agreement.

Private shareholders in Petrogal, Portugal's state-controlled oil company, have also suggested plans to buy up to 30 per cent of Transgás, whose sales of natural gas are expected to reduce Petrogal's earnings from propane gas and fuel oil.

Mr Elias da Costa estimates natural gas will account between 8 per cent and 10 per cent of Portugal's primary energy consumption by 2000, reducing the country's heavy dependence on imported oil.

He expects annual consumption of national gas to reach 2.75bn-3bn cu metres in that year. *The pipeline has a capacity* of 4.5bn cu metres a year without additional investment.

The biggest consumer in Portugal will be Turbugás, a consortium led by PowerGen, the UK electricity company, which is building a 990MW natural-gas fired power plant near Oporto.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 24.07.96: Pool purchase price £/MWh	Final Prices for Trading on 23.07.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	12.32	8.98	8.98
0100	9.00	8.90	8.90
0130	9.00	8.90	8.90
0200	9.00	8.90	8.90
0230	9.00	8.90	8.90
0300	9.00	8.90	8.90
0330	9.00	8.90	8.90
0400	[illegible]	8.90	8.90
0430	9.00	8.90	8.90
0500	9.00	8.89	8.89
0530	11.57	8.89	[illegible]
0600	11.57	8.89	8.89
0630	11.57	8.90	8.90
0700	16.45	12.27	[illegible]
0730	16.45	16.74	17.66
0800	16.55	17.89	18.82
0830	19.54	19.02	20.89
0900	31.85	24.25	26.80
0930	32.98	23.97	27.47
1000	33.57	35.33	38.55
1030	33.60	36.67	41.75
1100	26.08	39.56	45.52
1130	34.13	36.59	44.00
1200	48.60	60.14	66.36
1230	48.44	57.62	64.75
1300	47.36	52.59	58.50
1330	32.17	33.85	37.63
1400	20.00	25.31	28.32
1430	16.76	21.46	23.97
1500	17.84	20.76	22.89
1530	17.85	20.78	23.04
1600	18.05	22.19	25.07
1630	24.45	24.72	28.61
1700	24.67	36.91	41.09
1730	32.57	35.08	38.53
1800	32.10	31.33	33.46
1830	17.40	23.12	30.30
1900	17.27	17.22	18.14
1930	17.14	[illegible]	18.05
2000	16.45	17.15	18.04
2030	16.28	16.70	17.58
2100	16.28	16.70	17.58
2130	16.28	16.70	17.58
2200	31.47	23.04	23.92
2230	[illegible]	23.04	23.92
2300	24.02	23.04	23.92
2330	16.28	16.56	17.44
2400	16.28	12.27	13.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.89/MWh becomes 1.889p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to obtain such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.
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COMPANIES AND FINANCE: UK

SB at top end of forecasts

By Daniel Green

SmithKline Beecham, the UK's second biggest pharmaceuticals company, yesterday confirmed its place as one of the fastest growing of the world's big drugs companies.

It reported pre-tax profits for the second quarter 14 per cent higher at £342m ($533.5m) – against £300m in the second *quarter of 1995 – at the upper* end of analysts' expectations.

Several analysts, including those at Lehman Brothers and Societé Générale Strauss Turnbull, increased forecasts for full year pre-tax profits to about £1.55bn.

Sales rose 17 per cent to £1.92bn (£1.64bn), while earnings per share rose 12 per cent to 8.3p (7.4p). The quarterly dividend is increased from 3.2p to 4p and the shares rose 8½p to 695½p.

The results compare well with those from US rivals such as Merck and Bristol-Myers Squibb, also reporting second quarter results in the past few days.

Mr Jan Leschly, chief executive, said: "We remain on track to meet our year-end goals."

He said almost all the *growth in sales had come from* volume increases. In the company's most important division, prescription pharmaceuticals, sales and trading profit grew 15 per cent as prices fell by 1.3 per cent.

Drug sales rose 15 per cent in North America, 8 per cent in Europe and 16 per cent in other markets.

Sales of the company's biggest selling drug, Augmentin, an antibiotic, increased 17 per cent to £201m. This offset a poor performance on the first quarter leaving sales for the first half unchanged at £417m.

The companies fastest growing product is antidepressant Seroxat, called Paxil in the US. Sales rose 59 per cent in the second quarter to £171m. Sales for the first half were up 35 per cent at £313m.

Mr Leschly said sales were being boosted by the approval of Seroxat as a treatment for panic as well as depression.

The company's new products, those less than five years old, now account for 32 per cent of total sales. This figure was higher than for most pharmaceuticals companies, he said.

He said falls in sales of Amoxil, another antibiotic, and Tagamet, for ulcers, was because these were old drugs now subject to competition from generic (unbranded) rivals.

In the group's consumer healthcare arm sales and profit both increased 22 per cent to £566m helped by the launch of Nicorette, a chewing gum to help people stop smoking, whose sales hit £34m.

All consumer categories saw increases with over-the-counter drugs up 27 per cent, oral healthcare (including toothpaste brands Aquafresh and Macleans) *rising* 21 per cent, and nutritional healthcare adding 21 per cent.

Clinical laboratories' sales rose 2 per cent, excluding currencies, to £218m (£205m), with trading profit down 5 per cent to £24m (£24m).

Aids drug trial result boosts Glaxo

Glaxo Wellcome, the UK's largest pharmaceuticals company, has cut short a clinical trial of the new Aids drug Epivir so that all those on the trial could receive the drug, writes Daniel Green.

The results of the trial, which was due to end in March 1997, underline Epivir's importance among the latest treatments for HIV infection that appear to prevent the progress of Aids in most people.

Glaxo *shares rose 20½p to 911½p.*

The trial was halted on ethical reasons on the recommendation of an independent panel, including doctors and statisticians.

Interim results showed that 54 per cent *fewer patients infected with HIV who* were treated with Epivir – also known as 3TC – went on to contract Aids or die compared with those offered a placebo.

The study was launched in March 1995 to try to test whether the drug prevented diseases or death. The US Food and Drug Administration approved it after tests showed virus levels fell and patients' immune systems were boosted.

The test results provide indirect backing for the latest generation of combina*tion drugs therapies, which often include* Epivir as one of their components. These combinations have an even more powerful effect on surrogate markers than Epivir but have not yet been in large scale tests.

The Glaxo trial involved 1,892 HIV-positive patients in Canada, Australia, Europe, and South Africa. Patients taking one of three therapies: Retrovir (also a Glaxo drug), Retrovir plus Hivid (from Swiss company Roche) or Retrovir plus Videx (from Bristol-Myers Squibb of the US) could enter the trial.

In addition to their existing therapy, patients received a placebo, Epivir, or Epivir plus loviride (a drug in the category called non-nucleoside analogue and made *by Janssen Research Foundation,*part of Johnson & Johnson of the US).

Epivir, which Glaxo sells under licence from Canada's Biochem Pharma, has already *gained approval* in many coun*tries. Glaxo is awaiting a decision on mar*keting in Europe from the EC.

The power to invest overseas

Simon Holberton finds PowerGen expanding abroad after its plans to buy a rec were blocked

Ed Wallis: looking overseas

Powering away from the UK

Committed projects	MW	Project total (£m)	PowerGen equity (£m)†	PowerGen owned %
MIBRAG	200	27	9	33
Schkopau	900	852	40	22
Tapada do Outeiro	990	852	68	49
Caspel	43	7	7	95
Palton II	1220	1285	90	35
GTEC	655	500	30	20
Yallourn	1450	1286	223	49.9
Total		4637	467	
Projects in development				
Rosa	750			49
Bina	1000			49
West Java	400			95
Caspel	350			100

† Total investment at completion — Investment Source: PowerGen

Mr Ed Wallis, chairman of PowerGen, Britain's second biggest generator, looked like the cat that got the cream last Tuesday as Mr Helmut Kohl, the German Chancellor, ascended the dais to open the Schkopau power station south-west of Leipzig.

Chancellor Kohl was full of praise for the foreigners who had invested in the area – once the heartland of the German chemicals industry – after reunification in 1989.

PowerGen, along with NRG Energy of the US, owns nearly half of the 900MW power station. The station, which also produces steam for an adjacent chemicals works, is fuelled by brown coal (lignite) from the nearby Mibrag mines in which PowerGen has a 33 per cent interest.

The Mibrag and Schkopau investments were the first foreign investments that PowerGen made. Compared with National Power, its larger UK rival, PowerGen came relatively late to overseas expansion. That said, it has moved quickly to catch up and since 1993 has entered into commitments which will require investment of nearly £500m by the end of the decade.

"If you are shrinking in your home market then you have to get growth from somewhere else," says Mr Wallis. "Having been blocked from buying a rec we will have to push even *harder overseas." PowerGen's* share of UK generation has fallen from 30 per cent in 1989-90 to 22.5 per cent.

Opportunities abroad are vir*tually limitless. The power* industry estimates that between 1996 and 2000 some 460 gigawatts (1GW is 1,000MW) of new plant will be added to world capacity. Of this, about 150GW will be provided by independent power producers.

But financial returns take longer to accrue than for investment in the UK. "We will double profits from overseas business this year compared with last year," says Mr Wallis. "But we need another three years before earnings really take off. Then we will see a significant ratcheting of returns." Last year overseas business contributed only £10m to pre-tax profits.

He says PowerGen looks for an after-tax return, in real terms, of 10 per cent on investment, and was conservative in its decisions: "We *factor in country risk: Germany is lower* than Indonesia. We look for returns of around 10 to 11 per cent for hard-currency safer investments, and for higher-*risk investments returns are* closer to 20 per cent."

For Mr Peter Hughes, managing director of PowerGen International, it is matter of selection and focus. PowerGen's focus is on India, Indonesia and Thailand, with Europe and the US following.

India and Indonesia "both have large populations, both are liberalising and opening up, both have big power needs, and both have a political and legal, and increasingly commercial, framework for developing independent power".

PowerGen is a 20 per cent shareholder in the GTEC project, a 655MW plant in Gujarat, India. It is also partner with Aditya Birla, one of India's *largest industrial concerns,* in the development of a 1,000MW station at Bina, Madhy Pradesh, and a 750MW station at Rosa, in Uttar Pradesh.

So far this year PowerGen has completed the financing for three projects: Jawa Power in Indonesia, *Tapada* in Portugal, and Yallourn in Australia. Mr Hughes is pleased about the way the three have been financed.

Jawa Power, a $1.6bn (£1bn) project, included a $200m private placement to US investors – the first time private investors had taken a stake in an Indonesian project.

Yallourn was completed in a very tight timescale with three banks and two investment institutions underwriting A$1.64bn (£820m) of debt.

In total, the Australian investment cost A$2.5bn, and PowerGen has been criticised for paying a full price for the 1,450MW station and associated brown coal mine. Mr Hughes disputes this.

*He says PowerGen has initi*ated three projects that will reduce costs at Yallourn. The station would also be able to take advantage of the opening *of the New South Wales and* South Australian markets towards the end of this year.

"Our overseas projects have a discounted value of £1bn – five years ago we had none," he said.

"We now have investments in 6,000MW of which we operate and maintain about 4,400MW. There is a good chance that within the next 12 months we will double that."

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COMPANIES AND FINANCE: UK

Stagecoach will bid for all rail franchises

By Geoff Dyer

Stagecoach, the acquisitive transport group, said yesterday it intended to bid for all 12 rail passenger franchises still to be offered as it revealed annual profits at the top end of expectations.

The Perth-based group also said bus company acquisitions in the UK were becoming expensive, which would limit its appetite for further takeovers.

However Mr Brian Souter, chairman, said there were substantial acquisition possibilities in continental Europe. The group is a strong candidate to buy Swedbus, the Scandinavian operator owned by Swedish Railways.

"There will be no shortage of opportunities for us to invest over the next few years," said Mr Souter.

In the year to April 30, Stagecoach increased annual pre-tax profits by 34 per cent to £43.6m ($68.01m), despite a £6.2m restructuring charge related largely to acquisitions.

The shares, which have nearly doubled in the last year, rose 5p to 439p on the back of a 40 per cent rise in operating profits to £55.9m on turnover 48 per cent higher at £501.2m.

Analysts are forecasting pre-tax profits this year of £60m-£65m before exceptional items and earnings per share of 27p.

South West Trains, which the group acquired in December, added £411,000 to operating profits and recorded a 7.5 per cent increase in passenger numbers over the previous year.

The group made 125 staff redundant at South West, which led to a £2.4m charge, and is negotiating further cost reductions with unions.

Stagecoach is already on the shortlist for South Eastern Trains and Cardiff Railways and has set up a team of former managers from South Central to run its bids.

During the year it acquired bus companies in Manchester, Cambridge and Devon with annualised turnover of £90m and which added £2.3m to operating profits.

LEX COMMENT

Stagecoach

Say what you like about Mr Brian Souter, he has done his shareholders proud. But can he keep up the growth? After all, the UK bus market is stagnant: Stagecoach is proud of boosting passenger numbers by a paltry 1 per cent last year. And there is a limit to even Mr Souter's ability to drive out costs and competition: in some regions, margins are slipping. Moreover, with prices looking frothy, he is rightly sceptical about further bus acquisitions in the UK. Fortunately, he can afford to be.

Source: FT Extel

For a start, South West Trains should be a formidable engine of future profits growth. By getting in early, Stagecoach won the rail franchise for next to nothing. Yet by 1999 it should be producing pre-tax profits of £25m or so – and probably more, if Stagecoach can beat analysts' cautious cost and revenue forecasts. So far, traffic growth is well ahead of expectations.

Such a remarkable bargain is unlikely to be repeated. But with more than a dozen franchises on offer before the next election, Mr Souter should still be able to pick up one or two more at sensible prices. In any case his ambitions do not stop there: Stagecoach plans to expand elsewhere in Europe as well. Certainly, the continent's bus market looks rich in opportunities for the Souter treatment. All this means lack of opportunity is the wrong worry; a more likely difficulty is managerial overstretch. But Mr Souter's £150m stake gives him a powerful incentive to keep the group under control. And the shares are trading at an undemanding rating: 16-17 times next year's earnings. Investors should stick along for the ride.

CU new life and pensions business increases 8.4%

By Motoko Rich

Strong growth in annual premiums and life products underpinned an overall new business increase of 8.4 per cent in the life and pensions operations of Commercial Union, the composite insurer.

Worldwide life and pensions new business increased from £1.26bn to £1.36bn ($2.12bn) in the first six months of 1996. The shares rose 1¼p to 586p.

The growth at Commercial Union compared with a 2.1 per cent easing of new business at United Friendly, the life insurer. Overall new business decreased from £10.83m to £10.6m.

New annual premiums at Commercial Union jumped 30 per cent to £131m, while new single premium increased by 10 per cent to £1.23bn.

Sales of CU's investment products increased four-fold from £40m to £165m.

On a geographical basis, single premium growth was strongest in the Netherlands, where sales of new single premium products rose 31 per cent to £98m. Sales of new single premiums in the UK eased 9 per cent to £151m.

Mr Robbie Graham, group actuary, said this was due to the timing of a promotion on the group's Classic Investment Bond, a single premium product. The promotion fell entirely in the first half last year while the group did not begin the campaign this year until the second quarter.

He added that customers were substituting Personal Equity Plans and other investment products for single premium annuity policies. Sales of UK investment products surged nearly nine-fold to £125m.

Commercial Union's annual premium growth was strongest in Poland, where annual premiums more than doubled to £22m. Annual premium sales in France dropped 23 per cent to £20m largely because a tax change in 1995 had caused unusually strong sales in 1995.

At United Friendly, sales of single premium business improved by 17 per cent to £12m (£10.3m). New ordinary branch annual premiums were slightly lower at £9.4m (£9.8m).

The group said the introduction of a new organisational structure for its Home Service distribution and new technology to enhance the efficiency of the cash collection process had caused some short term disruption to sales.

Biomedix hopeful on licence

By Simon Kuper

KS Biomedix, the biotechnology company, said yesterday it hoped to start licensing aspects of its sheep monoclonal antibody technology to large drugs companies within the next year.

The technology, developed by Mr Kim Tan, the company's founder and managing director, is designed to produce sheep antibodies to treat cancers. KS hopes companies will license aspects of the technology to deliver their drugs into the body.

The company yesterday also announced pre-tax losses of £218,163 (£59,088 profits) for the year to May 31.

It had net cash of £3.58m at the year end, after its January Aim placing and open offer.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Barbour Index	Yr to Apr 30	12	(11.9)	2.25	(2.02)	8.6	(8.1)	6.5	Oct 1	6.15	9.5	9
Brixton Estate	6 mths to June 30	37.6□	(36.9□)	17.2	(16.3)	5.57	(5.24)	3.15	Dec 4	3.05	-	8.7
KS Biomedix ϕ	Yr to May 31	22.9	(3.2)	0.218L	(0.059♥)	-	(-)	-	-	-	-	-
Lancs Enterprises ϕ	6 mths to Apr 30	9.86	(8.9)	1.26	(1.02)	5.3	(4.9)	1.5	Aug 30	1.5	-	4
Mentmore Abbey	13 mths to Apr 30 ☆	12.6	(18.8)	0.104	(2.63L♦)	0.15	(8.93L)	nil	-	nil	nil	nil
Mitie	Yr to Mar 31	161.1	(125.2)	6.3	(4.57)	16.2†	(12.2)	2.2	Oct 1	1.7	4	3
Petroceltic ‡	Yr to Mar 31	0.39	(0.39)	0.010L	(0.039L)	0.8L	(1.2L)	-	-	-	-	-
Ryland	Yr to Apr 30 ★	313.8	(237.5)	3.55♥	(3.2♥)	9†	(8.09)	2.55	Oct 8	2.35	3.72	2.82
St Modwen Props	6 mths to May 31	16.4	(13)	4.72	(4.32)	2.5	(2.5)	0.8	Sept 12	0.7	-	2.1
SmithKline Beecham	6 mths to June 30	3,796	(3,358)	729	(1,173♥)	17.8	(26.1)	4§大	Oct 15	3.2	-	14.25
Sth Country Homes	6 mths to May 31	-	(-)	0.021	(0.014)	0.19	(0.13)	-	-	-	-	-
Southend Property	Yr to Mar 31 ★	20	(18.6)	9.89♦	(2♥)	9.91L	(1)	nil	-	1.68	0.88	2.52
Stagecoach	Yr to Apr 30	501.2	(337.7)	43.6♦	(32.6)	20.3†	(18)	4.6	Oct 17	3.65	6.7	5.3
Univent ϕ	6 mths to Mar 31	0.892	(0.906)	0.13	(0.155)	1.1	(1.3)	-	-	-	-	-
Winchester Multi ϕ	Yr to Mar 31	3.06	(0.249)	1.9L♦	(0.356L)	18.7L†	(4.5L)	-	-	-	-	-
Wholesale Fittings	Yr to Apr 30	97.5	(80.9)	5.08	(3.51)	23.68	(16.01)	9.4	Oct 18	8.47	12.9	11.7

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Athelney ϕ	6 mths to June 30	69.18	(51.77)	0.001	(0.002)	0.05	(0.086)	-	-	-	-	1
Fleming American	6 mths to June 30	438.3	(335.5)	1.45	(1.25)	2.1	(1.86)	-	-	0.4	-	2.8
Geared Income	3 mths to June 30	77.85	(83.76)	1.06	(0.686)	1.84†	(1.89)	1.75	Aug 30	1.75	-	8.665
High Income	Yr to June 30	-	(-)	-	(-)	-	(-)	1.167‡	Oct 15	1.067	8.5	6.4
High Income		-	(-)	-	(-)	-	(-)	0.533‡‡	Oct 15	0.533	-	6.5
Investment Co	Yr to Mar 31	49.82	(48.16)	0.86	(0.903)	3.19	(3.27)	1.575	Aug 30	1.5	2.3626	2.25
M&G Equity	6 mths to June 30	64.6	(-)	2.72	(-)	1.79	(-)	1.17	Sept 20	-	-	-
Scottish National	9 mths to June 30	71	(76.7◆)	10.3	(9.26)	6.46	(5.8)	2#	Oct 7	1.85	-	7.7
Temple Bar	6 mths to June 30 ☆	396.24	(359.83)	5.56	(4.57)	9.68	(7.97)	5.2	Sept 30	4.9	-	14.55
Templeton Emerg'g	Yr to Apr 30	138	(-)	5.8	(5.07)	1.44	(1.32)	1	Sept 25	0.75	1	0.75
Throg Preferred	6 mths to Apr 30	79.84	(85.75)	1.54	(1.47)	2.56	(2.45)	2.2	Aug 27	2.2	-	5

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♦After exceptional charge. ♥After exceptional credit. †On increased capital. □Net rental income. ☆Comparatives for 12 months. ‡Irish currency. ★Comparatives restated. ϕAim stock. §USM stock. §Second interim; makes 8p (8.4p) to date. 大Includes foreign income dividend element. ‡Fifth interim. ‡‡First interim. ◆At September 30. #Third interim; makes 5.4p (5p) to date.

Gilts stable in spite of conflicting data

By Samer Iskandar in London and Lisa Bransten in New York

European markets were quiet yesterday, with most bonds trading in narrow ranges and closing marginally lower. A monetary easing by the Bank of Italy, announced after the market's close, was only reflected in after-hours futures trading.

■ UK gilts remained stable in spite of several releases of contrasting market-moving news. Liffe's September long gilt future settled at 106 19/32, down ⅛. Mr Andrew Roberts, a gilts analyst at UBS, said the market "is stuck in a range of 106 to 107, and it will need a major shift in expectations to trade out of this range".

An auction of £2bn of 8 per cent gilts due 2000 was covered 4.81 times and the tail – the difference between the average and the lowest accepted bids – came out at only 1/32. However, said Mr Roberts, the auction results looked better on paper than in reality.

The apparent demand, he said, was inflated by "speculative bids" at unrealistically low prices. These bids were not filled but gave the impression that demand was strong.

The publication of a CBI survey showing the sharpest rise in manufacturing orders since July 1995 failed to shake the gilt market. It also showed that manufacturers' confidence had risen for the first time since April last year, which could have been interpreted as bearish for bonds.

Mr Roberts said the survey's bearish effects were mitigated by the weakness of inflationary pressures – a bullish factor. Indeed, the CBI revealed that domestic prices had fallen in the last four months.

Mr Roberts added that gilts' current weakness presented a good switching opportunity out of German bunds. He believes the 10-year yield spread between the two markets could tighten by up to 10 basis points in the near future, in addition to the prospect of currency gains.

GOVERNMENT BONDS

■ Italian bonds closed slightly lower after having outperformed bunds during three consecutive sessions. After the official close, the Bank of Italy cut its discount and Lombard rates by 75 basis points to 8.25 and 9.75 per cent, respectively.

The move failed to affect the cash market but the September BTP future jumped by almost 0.40 points on APT, Liffe's after-hours trading system, to a high of 117.65, from its closing level of 117.27.

■ US Treasury prices were flat to modestly lower in early trading yesterday as investors prepared for new supply to come on to the market and awaited testimony from Mr Alan Greenspan, chairman of the Federal Reserve.

Near midday, the benchmark 30-year Treasury was 1/16 lower at 87⅜ to yield 7.013 per cent and the two-year note was down 1/32 at 99-31/32, yielding 6.247 per cent. The September 30-year bond future held steady at 109 7/32.

Activity was quiet in advance of the afternoon auction of $18.75bn in two-year notes. Also weighing on the market was a second round of testimony from Mr Greenspan, set to take place after the results of the auction were announced.

Analysts were hoping that Mr Greenspan, in his testimony to the House of Representatives Banking Committee, would clarify the comments that he made last week to the committee's counterpart in the Senate.

The market rallied last week after interpreting Mr Greenspan's testimony as a signal that an interest rate increase in August was not inevitable.

Little in the way of data was released yesterday from which traders could assess the strength of the economy.

Eurobonds in Slovak korunas for IFC, EBRD

By Peter John

The Slovak koruna yesterday joined the growing band of eastern European currencies in which eurobonds are denominated.

IFC, the private sector arm of the World Bank, raised Kcs1.2bn through an issue of three-year paper with an 11¾ per cent coupon. But the EBRD pipped the IFC deal by 15 minutes with its own Kcs500m issue. With a 12½ per cent coupon and a one-year maturity, it was sufficiently popular to justify an increase to Kcs750m. Both deals were swapped into floating-rate dollar liabilities at a sub-Libor cost to the borrowers.

The high coupons attracted private investors, mainly from Germany and Austria, as well institutional investors keen to gain the currency exposure without any credit risk.

Mr John Borthwick, principal financial officer at the IFC treasury, said: "This is the 21st foreign currency in which we have borrowed and the fourth emerging market currency... It is a logical extension of the IFC's mandate to assist in the development of emerging capital markets."

Ms Ayesha Shah, head of funding at the EBRD, said its deal had been planned for some time. "Finally, everything aligned – the investor demand, the welcome from the Slovak authorities, and the swap," she said.

As with its Czech counterpart, investors in the Slovak koruna are attracted by the yield pick-up of more than 700 basis points over domestic German paper combined with prospects for a stable or even slightly appreciating currency.

Both the IFC and the EBRD carry triple-A ratings from Moody's and Standard & Poor's.

Ratings review casts pall over Turkish deals

By Conner Middelmann

Standard & Poor's recent decision to review Turkey's foreign currency debt ratings for possible downgrade has cast a pall over a series of Turkish transactions that were expected to hit the market this summer.

A syndicated loan for Türkiye Garanti Bankasi, launched only hours before S&P's announcement on Thursday evening, bore the full brunt of the reaction. The loan, which had been increased to $150m from $100m due to strong interest in the co-arranger phase, is now in general syndication, and while the leading banks say it is progressing smoothly, others say it may struggle to get placed.

SYNDICATED LOANS

The deal was already ambitious: Türkiye Garanti Bankasi is a frequent borrower in the euroloan market, and the one-year loan was aggressively priced, yielding 50 basis points over Libor – well below what it has paid on previous loans.

S&P placed Turkey's long-term foreign debt rating of B+ and short-term debt rating of B– on CreditWatch with negative implications, alarmed by Turkey's deteriorating fiscal situation and the government's apparent reluctance to tackle the situation.

Planned transactions for Finansbank, Emlakbank and the Turkish Grain Board appear to have been put on hold, and dealers say if Turkish borrowers do brave the market in the near term, they may have to pay for the privilege. "Pricings could rebound as a result of the S&P announcement," one banker said.

Other bankers, however, said the impact of the move – which at any rate is only a warning – could be short-lived. "Turkey has been lurching from one crisis to another for years, but they always seem to muddle through," said one. Moreover, "a lot of banks in the syndicated loan market are sophisticated enough to have their own ratings for companies and countries, and don't rely heavily on credit agencies' ratings", he said.

In eastern Europe, meanwhile, the downward trend in margins continues. "Pricings are still coming down and maturities are lengthening, often with no significant improvement in the credit," one dealer said.

Romania is a case in point. When the National Bank first tapped the market in May 1995 for a $150m 12-month loan, it paid 275 basis points over Libor. That was followed by a $110m, 18-month loan at 225 basis points over Libor in December 1995, and a $90m 15-month loan at 175 basis points over in April. Now it has appointed ABN Amro and Citibank to arrange a three-year loan, which is expected to yield less than 175 points over Libor.

Elsewhere, J.P. Morgan is putting together the first widely syndicated loan for Lithuania, a $75m one-year facility paying 225 basis points over Libor. The deal will be used in part to repay a $33m six-month loan, also arranged by J.P. Morgan but not widely distributed.

In France, NatWest Markets and Banque Paribas announced a FFr745bn 13-year credit agreement with Rhône Vision Câble to finance the construction and operation of a cable-TV network – the first structured credit facility for the French cable-TV sector. Syndication will be launched in September.

Shin-Etsu warrants issue raises $500m

By Peter John and Conner Middelmann

A sprinkling of medium-sized issues was dominated by a large offering of bonds with warrants from one of Japan's leading chemical companies yesterday. Shin-Etsu, one of only three producers in Europe of the silicon wafers needed for semiconductors, raised $500m through the four-year deal.

INTERNATIONAL BONDS

Lead manager Nikko Europe said the issue was the biggest of its kind since Fujitsu's $600m deal last year, and had seen demand from UK and European institutions.

"Given the tough market conditions, the response has been good," one syndicate manager said. Shin-Etsu has been expanding recently – last year it invested an additional £160m into its plant in Scotland – and the cash raised will be used for capital investment.

Elsewhere business was steady, with medium-sized deals in D-Marks, yen, pesetas, and Australian and New Zealand dollars.

Oesterreichische Kommunalkredit, the Austrian bank, made a DM150m seven-year issue with a 6.125 per cent coupon through DG Bank.

The World Bank raised $150m with a three-year issue managed by DKB International and Kankaku and Ontario Hydro raised NZ$100m with a two-year issue managed by Toronto-Dominion. Argentina is expected to follow its foray into sterling with another eurobond issue in D-Marks.

In the UK, Lloyds TSB is carrying out a capital restructuring involving the early redemption of two outstanding issues of subordinated debt, worth £200m, and the launch of new subordinated bonds for a similar amount on behalf of Lloyds Bank. The transaction highlights the growing efforts by UK banks to optimise their capital structure.

The existing bonds contain covenants preventing any subsidiary of Lloyds TSB from issuing subordinated debt as long as they are outstanding. The holding company wishes to eliminate these covenants to allow other members of the group, notably Lloyds Bank, to issue subordinated debt directly rather than relying on inter-company loans.

Lloyds TSB plans to repurchase £100m of 10% per cent loan stock due 2008 and £100m of 12 per cent bonds due 2011. Both yield around 72 basis points over gilts but are to be redeemed at a spread of 55 basis points. A bondholders' and stockholders' meeting is to be held on August 15 to approve early redemption.

Lloyds Bank is likely to issue the new bonds soon after the meeting, arranger Lehman Brothers said.

● Standard & Poors, the US credit rating agency, yesterday raised its credit rating on British Petroleum from AA- to AA. The agency said the upgrade reflected "an impressive turnround of [BP's] operational and financial positions in recent years in a relatively difficult industry environment".

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Shin-Etsu Chemical Co(a)ϕ	500	3.375	100.00	Aug 2000	2.25	-	Nikko (Europe)
Central Puerto	100	10.70	99.92R	Aug 2001	1.00R	(b)	Bear Stearns Intl
■ D-MARKS							
Oesterreichische Kommnlkrdt	150	6.125	101.94	Aug 2003	2.75	-	DG Bank
■ YEN							
Taisei Corporation(c)(s)★	11bn	2.45	100.15	July 2000	0.25	-	Yamaichi International
■ AUSTRALIAN DOLLARS							
World Bank	150	7.50	100.00	Aug 1999	1.00	-	DKB Intl/Kankaku (Sng)
■ NEW ZEALAND DOLLARS							
Ontario Hydro	100	8.75	100.93	Aug 1998	1.25	-	Toronto-Dominion Bank
■ SLOVAK KORUNAS							
EBRD	750	12.50	101.05	Aug 1997	0.90	-	Bayerische Vereinsbank
International Finance Corp	1.2bn	11.75	100.0R	Aug 1999	1.00R	-	ING Barings/Woodcommerz
■ SPANISH PESETAS							
EBRD(s)	11.5bn	8.45	102.00	Dec 2025	2.50	-	Banco Bilbao Vizcaya

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. §Convertible. ϕWith equity warrants. ‡Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fixing terms: July 29. b) +414 (Wl 5-yr US Treasury). c) Short 1st to 9/9/96 thereafter on 27/7 each year. s) Short 1st coupon

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		10.000	02/06	107.1600	–	8.88	8.69	9.03
Austria		6.250	05/06	97.8400	–0.130	6.45	6.51	6.48
Belgium		7.000	05/06	101.7800	–0.070	6.74	6.83	6.72
Canada *		7.000	12/06	95.0700	–0.470	7.70	7.73	7.66
Denmark		8.000	03/06	104.6600	–0.160	7.30	7.36	7.48
France	BTAN	5.750	03/01	101.2400	–0.040	5.59	5.64	5.59
	OAT	7.250	04/06	106.2500	+0.060	6.36	6.51	6.61
Germany Bund		6.250	04/06	98.8600	–0.100	6.41	6.52	6.55
Ireland		8.000	08/06	103.5000	–0.230	7.82	7.84	7.78
Italy		9.500	02/06	102.3300	–0.200	9.13†	9.31	9.39
Japan	No 140	6.600	06/01	118.4600	–0.170	2.39	2.38	2.27
	No 182	3.000	09/05	97.4622	–0.140	3.08	3.35	3.18
Netherlands		6.000	01/06	97.5200	–	6.35	6.47	6.43
Portugal		11.875	02/05	119.2000	+0.100	8.60	8.67	8.85
Spain		8.800	04/06	100.8500	–0.110	8.84	8.77	9.07
Sweden		6.000	02/05	88.5573	–0.050	8.24	8.37	8.42
UK Gilts		8.000	12/00	103-00	–2/32	7.18	7.12	7.32
		7.500	12/06	97-02	–3/32	7.82	7.93	8.04
		9.000	10/08	107-13	–3/32	8.03	8.04	8.15
US Treasury *		7.000	07/06	101-02	–16/32	6.84	6.86	6.96
		6.000	02/26	87-14	–17/32	7.01	7.04	7.13
ECU (French Govt)		7.500	04/05	104.4800	+0.040	6.80	6.89	6.99

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.26
Prime rate	8¼	Two month	-	Three year	6.42
Broker loan rate	7	Three month	5.31	Five year	6.62
Fed funds	5⅛	Six month	5.54	10-year	6.84
Fed funds at intervention	-	One year	5.87	30-year	7.01

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.04	123.14	–0.04	123.20	122.94	62,509	184,260
Dec	121.84	121.78	–0.04	121.80	121.62	1,132	31,815
Mar	121.40	121.52	–0.04	121.48	121.40	857	2,311

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Aug	Calls Sep	Calls Dec	Puts Aug	Puts Sep	Puts Dec
120	-	-	-	-	0.06	-
121	-	-	-	-	0.12	0.62
122	1.14	1.38	1.43	0.02	0.27	-
123	0.28	0.68	1.00	0.13	0.58	-
124	0.02	0.25	-	-	-	-

Est. vol. total, Calls 27,930 Puts 22,824. Previous day's open int., Calls 129,795 Puts 149,123.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.75	96.73	-0.12	96.83	96.66	89204	224515
Dec	95.77	95.81	-0.12	95.84	95.75	780	7801

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
9650	0.27	0.66	0.47	0.81	0.04	0.43	1.16	1.50
9700	0.04	0.40	0.30	0.62	0.31	0.67	1.49	1.81
9750	0	0.22	0.19	0.47	0.77	0.99	1.88	2.16

Est. vol. total, Calls 10762 Puts 11203. Previous day's open int., Calls 179506 Puts 205470

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	117.15	117.27	-0.26	117.65	116.81	45467	61740
Dec	116.29	116.55	-0.28	116.45	116.29	210	3172

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Sep	Calls Dec	Puts Sep	Puts Dec
11700	1.04	1.63	0.77	2.06
11750	0.78	1.39	1.01	2.34
11800	0.55	1.20	1.28	2.65

Est. vol. total, Calls 7799 Puts 9299. Previous day's open int., Calls 88505 Puts 88639

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	101.83	101.87	–0.16	102.07	101.62	60,617	53,001

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	106-18	106-19	-0-04	106-24	106-14	31896	131576
Dec	-	105-25	-0-05	-	-	0	678

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Aug	Calls Sep	Calls Oct	Calls Dec	Puts Aug	Puts Sep	Puts Oct	Puts Dec
106	0-40	1-10	1-04	1-39	0-02	0-36	1-18	1-62
107	0-04	0-40	0-43	1-09	0-30	1-02	1-57	2-23
108	0	0-19	0-25	0-51	1-26	1-45	2-39	3-01

Est. vol. total, Calls 2160 Puts 1366. Previous day's open int., Calls 27328 Puts 25797

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.60	91.80	+0.04	91.66	91.56	1,140	7,602
Dec	–	90.12	+0.04	–	–	–	500

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Sep	109-17	109-19	+0-01	109-24	109-14	201,325	436,789
Dec	109-00	108-03	+0-02	108-07	107-30	1,193	19,765
Mar	–	107-28	+0.05	–	107-21	168	3,148

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	118.26	-	-	118.50	118.26	2644	n/a
Dec	117.24	-	-	117.28	117.22	358	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Jul 23	Day's change %	Mon Jul 22	Accrued interest	xd adj. ytd		Low coupon yield Jul 23	Jul 22	Yr. ago	Medium coupon yield Jul 23	Jul 22	Yr. ago	High coupon yield Jul 23	Jul 22	Yr. ago
1 Up to 5 years (22)	122.32	0.01	122.30	2.73	5.12	5 yrs	7.31	7.28	7.98	7.38	7.34	7.99	7.37	7.42	8.07
2 5-15 years (20)	146.48	–0.06	146.57	2.27	6.39	15 yrs	8.14	8.13	8.34	8.15	8.14	8.36	8.04	8.21	8.47
3 Over 15 years (8)	161.04	–0.13	161.25	3.55	6.45	20 yrs	8.23	8.22	8.37	8.24	8.22	8.39	8.32	8.27	8.48
4 Irredeemables (6)	182.67	–0.21	[illegible]	2.12	7.36	Irred.†	[illegible]	[illegible]	[illegible]						
5 All stocks (56)	142.00	–0.05	142.07	2.70	5.96										

Index-linked							Inflation 5% Jul 23	Jul 22	Yr. ago	Inflation 10% Jul 23	Jul 22	Yr. ago
6 Up to 5 years (1)	198.20	–0.02	198.24	2.15	4.43	Up to 5 yrs	2.70	2.66	3.34	1.08	1.08	1.58
7 Over 5 years (11)	187.36	0.01	187.35	1.14	2.79	Over 5 yrs	3.78	3.78	3.68	3.56	3.56	3.48
8 All stocks (12)	187.48	0.00	187.47	1.16	2.81							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jul 23	Jul 22	Jul 19	Jul 18	Jul 17	Yr ago	High*	Low*
Govt. Secs. (UK)	92.77	92.95	92.86	92.90	92.61	92.45	96.34	91.59
Fixed Interest	112.83	112.92	112.91	112.82	112.48	111.19	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16
Gilt Edged bargains	72.6	87.2	97.8	106.7	101.0
5-day average	93.1	95.1	92.7	89.6	84.0

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on July 23

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	96⅛	96¼	–⅛	7.16
ABN Amro Bank 7¼ 05	1000	98	98¼	–⅛	7.54
African Dev Bk 7⅝ 23	500	95⅞	95⅞	–⅛	7.79
Alberta Province 7⅝ 98	1000	102⅛	102¼	–⅛	6.57
Sweden 8 97	2500	105¼	105¾	+⅛	3.71
United Kingdom 7¼ 97	5500	104⅛	104¼		3.70
Volkswagen Intl Fin 7 03	1000	103⅛	103½		6.37
World Bank 0 15	2000	30⅝	31⅛	–⅛	8.24
World Bank 8⅝ 03	3000	99¼	99⅝	–⅛	8.00
Abbey Natl Treasury 8 03 £	1000	100⅞	100⅞	–⅛	7.96
British Land 8⅞ 23 £	150	90⅝	90⅞	–⅛	10.18
Denmark 6⅛ 98 £	800	100⅝	100⅞		6.61
Depfa Finance 7⅛ 03 £	500	94⅝	95⅛	–⅛	8.07
EIB 8 03 £	1000	101	101⅛	–⅛	7.80

[illegible]

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Treas 2pc 1996	0.91	5.41	219⅜		219⅞	211⅛
Conversion 10pc 1996	9.87	5.69	101⅜		104⅛	101⅜
Treas 13¼pc 1997‡‡	12.77	5.66	103⅞		109⅞	103⅝
Exch 10½pc 1997	10.22	5.72	102¾		105⅞	102¾
Treas Cnv 7pc 1997‡‡	6.92	5.81	101⅛	–⅛	101⅞	99⅞
Treas 8¾pc 1997‡‡	8.50	5.92	103	–⅛	104⅛	102⅞

Notes	Yield Int	Yield Red	Price £	+ or –	52 week High	52 week Low
Treas 8½pc 2005‡‡	8.16	7.87	104⅛	–⅛	106⅝	101⅞
Treas 7½pc 2006‡‡	7.73	7.93	97	–⅛	101⅝	94⅝
Treas 7¾pc 2006‡‡	7.87	7.96	98⅜	–⅛	103¾	96⅛
Treas 8pc 2002-6‡‡	7.98	7.93	100½	–⅛	104⅞	97⅞
Treas 11¾pc 2003-7	9.77	7.70	120⅛	–⅛	125⅛	118⅞
Treas 8½pc 2007‡‡	8.20	8.00	103⅞	–⅛	108⅞	101⅛

Notes	Yield (1)	Yield (2)	Price £	+ or –	52 week High	52 week Low
Index-Linked (b)						
4⅝pc '98‡‡ (135.6)	1.09	2.71	113⅛	–⅛	113⅝	111⅛
2½pc '01 (78.3)	2.95	3.52	180⅞		180⅞	174⅞
2½pc '03 (78.8)	3.23	3.65	175⅞		176⅛	170⅞
4⅜pc '04‡‡ (135.6)	3.30	3.68	115		118⅞	112⅞
2pc '06 (69.5)	3.40	3.70	183⅞	+⅛	185⅞	179
2½pc '09 (78.8)	3.50	3.75	164⅞	+⅛	167⅛	161⅛

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Dollar rallies ahead of Greenspan testimony

By Philip Gawith

The dollar yesterday rallied on the foreign exchanges as expectations of a near term rise in Japanese interest rates receded.

The dollar actually fell below Y107 ahead of the release of the Bank of Japan's quarterly economic bulletin, but the report itself forced an unwinding of short dollar positions, allowing the currency to rally to a London close of Y107.955, from Y107.70 on Monday.

The dollar also rallied against the D-Mark, finishing at DM1.4897, after earlier touching an intra-day low of DM1.48.

In Europe the main development came after hours when the Bank of Italy finally delivered a much anticipated cut in interest rates. The discount rate was cut to 8.25 per cent, having been fixed at nine per cent since May last year. The lira rallied on the news to L1,014 against the D-Mark, after earlier finishing at L1,016 in London.

The firmer dollar helped sterling, with the trade-weighted index rising to finish at 84.9 after starting at 84.6. It closed at DM2.3104 and $1.5509, from DM2.3035 and $1.5499. Sterling was also helped by a strong CBI Industrial trends survey, and a successful gilts auction.

The South African rand showed further signs of weakness, falling to a close of R4.4310 against the dollar from R4.3918. The Reserve Bank confirmed that it supported the rand. Selling was triggered by news showing the extent to which the Reserve Bank's forward dollar exposure had grown since the slide in the currency started in February. Investor sentiment was also aggravated by aggressive criticism of the government's economic policy from the country's main trade union group.

■ The cut in Italian rates was seen as being positive for the lira because of the budgetary relief it would provide. Italy runs a primary budget surplus, with the entire deficit being the result of interest payments on its huge debt. Lower rates will make a big difference to the size of the government's debt bill.

Markets have long been anticipating the cut, given the considerable strengthening in the lira this year, coupled with a big improvement in inflation. July inflation of about 3.6 per cent compared with short rates around 9 per cent.

Mr Tony Norfield, UK treasury economist at ABN AMRO, said the rate cut would "help restore confidence in the Lira by helping the whole budgetary process."

Last week the lira, along with other high-yielding currencies, was hit by a loss of confidence in these markets. The lira fell to around L1,028 against the D-Mark. Mr Paul Meggyesi, analyst at Deutsche Morgan Grenfell in London, said investors were very wary of the high yielders. "There is a feeling that some governments are not at all committed to participation, that some of them are hiding behind the smokescreen of ERM entry."

■ The tone for the dollar was set by the BOJ report. Analysts expressed some surprise at the extent of the speculative short dollar positions in the interbank market. Mr Ray Attrill, analyst at 4CAST in London, said part of the market had gone into the report obviously expecting it to serve as final confirmation that Japanese rates would rise. In fact it "caused a little more self-doubt to creep into the market."

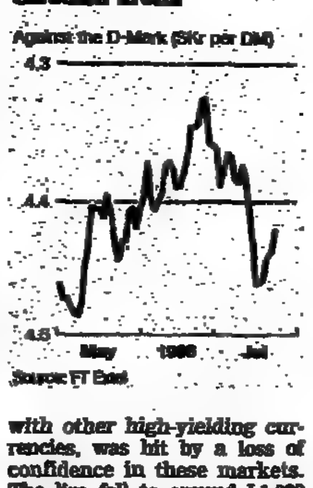
Mr Meggyesi said the market's position had been surprising given that the BOJ's money market operations in recent days and weeks appeared, if anything, aimed at dampening speculation about higher rates.

The dollar's rally later gained impetus from comments by Mr Robert Rubin, the US treasury secretary, re-iterating the Administration's commitment to a stronger dollar. Although there was nothing novel in what he said, it provided sufficient emphasis ahead of congressional testimony by Mr Alan Greenspan, the Fed chairman, to boost the dollar.

Some observers were concerned that Mr Greenspan might strike a hawkish note in the second round of his biennial Humphrey Hawkins testimony. They reason that he might want to offset the market's surprisingly bullish interpretation of his testimony last week. Dollar sentiment was also helped by comments from senior Bundesbank officials which appeared to provide some support to those who expect a trimming of the German repo rate later this week.

Swedish krona

Against the D-Mark (SKr per DM)



Source: FT Extel

■ **Pound in New York**

Jul 23	—Latest—	—Prev. close—
£ spot	1.5515	1.5515
1 mth	1.5510	1.5510
3 mth	1.5511	1.5510
1 yr	1.5537	1.5532

■ **OTHER CURRENCIES**

Jul 23	£	$
Czech Rp	41.2685 - 41.0700	26.8100 - 26.8250
Hungary	231.474 - 231.671	149.230 - 149.340
Iran	4653.90 - 4651.50	3000.00 - 3000.00
Kuwait	0.4633 - 0.4638	0.2988 - 0.2990
Poland	4.1957 - 4.2040	2.7060 - 2.7100
Russia	[illegible] - 8007.12	5165.00 - 5168.00
U.A.E.	5.6942 - 5.6979	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jul 23		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.2[illegible]	+0.0499	502 - 674	16.2715	16.1880	16.2276	2.3	16.1526	2.6	-	-	105.2
Belgium	(BFr)	47.8204	+0.1368	848 - 559	47.8570	47.3410	47.5254	2.4	47.2354	2.4	46.6454	2.3	108.9
Denmark	(DKr)	8.9092	+0.0247	045 - 138	8.9165	8.8605	8.8955	1.9	8.8751	1.5	8.7673	1.6	107.9
Finland	(FM)	7.0222	+0.0137	149 - 294	7.0450	6.9780	7.0178	0.8	7.0097	0.7	-	-	84.7
France	(FFr)	7.8200	[illegible]	172 - 227	7.8277	7.7758	7.8078	1.9	7.7[illegible]	1.8	7.6917	1.6	109.7
Germany	(DM)	2.3104	+0.0069	068 - 114	2.3132	2.2972	2.306	2.3	2.2989	2.3	2.2582	2.3	109.0
Greece	(Dr)	367.726	+2.752	531 - 382	368.132	364.029	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9633	+0.0006	624 - 641	0.9653	0.9610	[illegible]	0.6	0.9616	0.7	0.9571	0.6	99.5
Italy	(L)	2348.00	+12.02	695 - 906	2353.52	2336.74	2353.55	-2.8	[illegible]	-2.6	2365.9	-2.0	76.5
Luxembourg	(LFr)	47.8204	+0.1368	848 - 559	47.8570	47.3410	47.5254	2.4	47.2354	2.4	46.5504	2.2	108.9
Netherlands	(Fl)	2.5921	+0.0085	906 - 936	2.6005	2.5779	2.588	2.6	2.574	2.6	2.5263	2.5	107.1
Norway	(NKr)	9.9328	+0.0268	244 - 412	9.9426	9.8709	[illegible]	1.0	9.9073	1.0	9.8236	1.1	98.7
Portugal	(Es)	237.598	+0.727	459 - 737	238.481	236.419	238.028	-2.1	238.928	-2.2	-	-	95.2
Spain	(Pta)	195.607	+1	518 - 697	195.730	194.536	195.867	-1.6	196.382	-1.6	197.792	-1.1	80.4
Sweden	(SKr)	10.2057	-0.0159	953 - 161	10.2350	10.1398	10.206	0.0	10.2061	0.0	10.2041	0.0	88.7
Switzerland	(SFr)	1.8809	+0.007	800 - 817	1.8836	1.8600	1.8759	3.2	1.8661	3.4	1.8169	3.4	112.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.9
Ecu	-	1.2259	+0.005	252 - 266	1.2277	1.2183	1.2245	1.3	1.2215	1.4	1.2092	1.4	-
SDR†	-	1.082800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5499	+0.0011	492 - 486	1.5598	1.5461	-	-	-	-	-	-	-
Brazil	(R$)	1.5625	+0.0013	618 - 631	1.5655	1.5613	-	-	-	-	-	-	-
Canada	(C$)	2.1267	+0.0088	257 - 276	2.1322	2.1234	2.126	0.4	2.1225	0.8	2.1145	0.6	[illegible]
Mexico	(New Peso)	11.7892	-0.0416	822 - 961	11.8508	11.7708	-	-	-	-	-	-	-
USA	($)	1.5509	+0.001	505 - 513	1.5545	1.5497	1.5504	0.4	1.5514	-0.1	1.5528	-0.1	96.2
Pacific/Middle East/Africa													
Australia	(A$)	1.9608	+0.0006	597 - 619	1.9708	1.9595	1.9594	-1.8	1.9664	-1.8	1.9937	-1.7	92.7
Hong Kong	(HK$)	11.9958	+0.0082	919 - 996	12.0233	11.9883	11.9977	0.8	11.9761	0.7	11.9963	0.3	-
India	(Rs)	55.2121	+0.1148	877 - [illegible]	[illegible]	[illegible]	-	-	-	-	-	-	-
Israel	(Shk)	4.9182	+0.0059	129 - 234	4.9255	4.9087	-	-	-	-	-	-	-
Japan	(Y)	167.429	+0.509	316 - 540	167.580	166.000	166.708	5.2	165.210	5.3	158.799	5.2	134.4
Malaysia	(M$)	3.8594	+0.0018	576 - 612	3.8690	3.8575	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2368	+0.0076	354 - 382	2.2440	2.2338	2.2410	-2.7	2.2513	-2.6	2.2851	-2.2	108.3
Philippines	(Peso)	40.6104	+0.0121	611 - 596	40.6650	40.5507	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8168	+0.0041	150 - 185	5.8298	5.8125	-	-	-	-	-	-	-
Singapore	(S$)	2.1992	-0.0009	976 - 005	2.2029	2.1937	-	-	-	-	-	-	-
South Africa	(R)	6.8721	+0.0655	625 - 810	[illegible]	[illegible]	-	-	-	-	-	-	-
South Korea	(Won)	1261.27	-0.23	067 - 187	1264.12	1260.37	-	-	-	-	-	-	-
Taiwan	(T$)	42.7397	+0.0266	209 - 585	42.8311	42.7087	-	-	-	-	-	-	-
Thailand	(Bt)	39.2068	+0.011	889 - 246	39.2750	39.1610	-	-	-	-	-	-	-

† Rates for Jul 22. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jul 23		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.4635	+0.0247	606 - 665	10.4910	10.4190	10.464	2.2	10.422	2.3	10.2385	2.3	105.1
Belgium	(BFr)	30.7050	+0.0675	900 - 200	30.7260	30.5130	30.65	2.1	30.535	2.2	29.895	2.3	108.7
Denmark	(DKr)	5.7446	+0.012	430 - 460	5.7496	5.7118	5.737	1.6	5.72	1.7	5.651	1.6	107.4
Finland	(FM)	4.5278	+0.0057	243 - 313	4.5439	4.5005	4.5213	1.7	4.5093	1.5	[illegible]	1.4	84.0
France	(FFr)	5.0422	+0.0114	417 - 427	5.0475	5.0123	5.0353	1.7	5.021	1.7	4.9532	1.8	109.3
Germany	(DM)	1.4897	+0.0034	894 - 900	1.4911	1.4808	1.4872	2.0	1.4814	2.2	[illegible]	2.5	108.5
Greece	(Dr)	237.105	+1.815	040 - 170	237.400	234.410	238.78	-8.5	242.13	-8.5	256.105	-8.0	67.2
Ireland	(I£)	1.6100	-	090 - 110	1.6155	1.6067	1.6105	-0.4	1.6115	-0.4	1.603	0.4	-
Italy	(L)	1513.96	+6.78	367 - 425	1517.42	1505.39	1518.71	-3.8	1526.86	-3.4	1549.61	-2.4	78.3
Luxembourg	(LFr)	30.7050	+0.0675	900 - 200	30.7260	30.5130	30.652	2.1	30.5455	2.1	30.065	2.1	108.7
Netherlands	(Fl)	1.6715	+0.003	709 - 718	1.6761	1.6616	1.668	2.4	1.6606	2.5	[illegible]	2.5	106.6
Norway	(NKr)	6.4045	+0.013	006 - 083	6.4113	6.3651	6.4017	0.6	6.3961	0.5	6.3598	0.7	98.1
Portugal	(Es)	153.200	+0.365	150 - 250	153.700	152.430	153.515	-2.5	154.105	-2.4	156.25	-2.0	95.2
Spain	(Pta)	126.125	+0.56	100 - 150	[illegible]	125.420	126.375	-2.4	126.805	-2.2	[illegible]	-1.8	80.3
Sweden	(SKr)	6.5805	-0.0147	755 - 855	6.6008	6.5389	6.5795	0.2	6.5819	-0.1	6.557	0.4	88.7
Switzerland	(SFr)	1.2128	+0.0037	125 - 130	1.2147	1.1985	1.2093	3.5	1.2016	3.8	1.1683	3.7	112.0
UK	(£)	1.5509	+0.001	505 - 513	1.5545	1.5497	1.5504	0.4	1.5514	-0.1	1.5528	-0.1	84.2
Ecu	-	1.2653	-0.0043	650 - 655	1.2732	1.2633	1.2661	-0.7	1.2677	-0.8	1.2786	-0.9	-
SDR†	-	0.68840	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9995	-	995 - 997	0.9996	0.9994	-	-	-	-	-	-	-
Brazil	(R$)	1.0075	+0.0002	073 - 076	1.0077	1.0072	-	-	-	-	-	-	-
Canada	(C$)	1.3713	+0.0035	710 - 715	1.3722	1.3693	1.3711	0.1	1.3714	0.0	1.3742	-0.2	82.2
Mexico	(New Peso)	7.6015	-0.032	990 - 040	7.6040	7.5990	7.763	-25.5	7.948	-18.2	9.7115	-27.8	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.6
Pacific/Middle East/Africa													
Australia	(A$)	1.2642	-0.0003	638 - 647	1.2655	1.2630	1.2662	-1.9	1.2697	-1.7	1.2884	-1.9	98.8
Hong Kong	(HK$)	7.7347	-	342 - 352	7.7355	7.7340	7.7354	-0.1	7.7372	-0.1	7.7642	-0.4	-
India	(Rs)	35.6000	+0.05	000 - 000	35.8200	35.3900	35.75	-5.1	36.055	-5.1	37.325	-5.4	-
Israel	(Shk)	3.1712	+0.0017	686 - 737	3.1745	3.1646	-	-	-	-	-	-	-
Japan	(Y)	107.955	+0.255	910 - 000	108.050	106.990	107.51	4.9	106.61	5.0	102.87	4.7	135.7
Malaysia	(M$)	2.4885	-0.0005	880 - 890	2.4910	2.4870	2.4894	-0.4	2.4955	-1.1	2.519	-1.2	-
New Zealand	(NZ$)	1.4422	+0.004	418 - 426	1.4436	1.4414	1.4453	-2.6	1.4511	-2.5	1.4757	-2.3	-
Philippines	(Peso)	26.1850	-0.01	800 - 100	26.2100	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	504 - 507	3.7508	3.7503	3.751	-0.1	3.7517	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4180	-0.0015	175 - 185	1.4190	1.4144	1.4144	3.0	1.4084	2.7	1.383	2.6	-
South Africa	(R)	4.4310	+0.0392	260 - 360	4.4370	4.3900	4.4785	-12.9	4.5665	-12.4	4.908	-10.7	-
South Korea	(Won)	813.250	-0.7	200 - 300	813.700	812.700	-	-	-	-	-	-	-
Taiwan	(T$)	27.5580	-0.0015	530 - 630	27.5680	27.5520	27.568	-0.2	27.568	-0.1	-	-	-
Thailand	(Bt)	25.2600	-0.01	750 - 850	25.2650	25.2600	25.3788	-4.7	25.5625	-4.8	26.485	-4.7	-

† SDR rate per $ for Jul 22. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jul 22: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

July 23	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	3¼	3½	3⅜	3⅜	3½	7.00	2.50	-
week ago	3¼	3¼	3⅜	3⅜	3⅜	7.00	2.50	-
France	3⅜	3⅝	3⅜	3⅞	3⅞	3.55	-	5.60
week ago	3⅞	3¾	3¾	3⅞	4⅛	3.55	-	5.60
Germany	3⅛	3⅜	3⅜	3⅜	3¼	4.50	2.50	3.30
week ago	3⅜	3⅜	3⅜	3⅝	3⅝	4.50	2.50	3.30
Ireland	5¼	5⅝	5½	6⅛	5⅝	-	-	6.25
week ago	5⅜	5⅝	5⅜	5⅞	5⅞	-	-	6.25
Italy	9	8⅞	8⅞	8⅜	8⅜	-	8.25	8.85
week ago	9⅛	8⅞	8⅞	8⅞	8⅞	-	9.00	9.30
Netherlands	2⅞	2⅞	2⅞	3⅛	3⅜	-	3.00	3.30
week ago	3⅛	2⅞	3⅛	3⅜	3⅜	-	3.00	3.30
Switzerland	2⅝	2⅞	2⅛	2⅛	2⅞	5.00	1.50	-
week ago	2⅞	2⅞	2⅝	2⅜	2⅝	5.00	1.50	-
US	5⅜	5⅜	5⅝	5⅞	6	-	5.00	-
week ago	5⅜	5⅜	5⅝	5¾	6⅛	-	5.00	-
Japan	⅜	⅝	⅝	⅞	1¼	-	0.50	-
week ago	½	⅝	¾	⅞	1⅛	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5½	5¾	5⅞	6⅛	-	-	-
week ago	-	5½	5⅝	5⅞	6⅛	-	-	-
US Dollar CDs	-	5.17	5.35	5.47	5.78	-	-	-
week ago	-	5.17	5.34	5.50	5.81	-	-	-
ECU Linked Ds	-	5⅜	4¾	4¾	4⅝	-	-	-
week ago	-	5⅜	4½	4⅝	4⅝	-	-	-
SDR Linked Ds	-	3⅛	3⅜	3⅜	3⅜	-	-	-
week ago	-	3½	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.

Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jul 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼
Danish Krone	3½ - 3¼	3⅜ - 3⅛	3⅝ - 3½	3⅞ - 3¾	4⅛ - 3⅞	4⅜ - 4⅛
D-Mark	3⅛ - 3	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜
Dutch Guilder	2⅞ - 2⅝	2⅞ - 2⅝	3 - 2⅞	3⅛ - 3	3¼ - 3⅛	3½ - 3⅜
French Franc	3⅝ - 3½	3⅞ - 3⅝	3⅞ - 3⅝	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 3⅞
Portuguese Esc.	7½ - 7⅛	7½ - 7¼	7½ - 7⅜	7½ - 7⅜	7⅝ - 7½	7⅝ - 7½
Spanish Peseta	7⅞ - 7⅝	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½
Sterling	6⅛ - 5⅞	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 5⅞
Swiss Franc	2⅝ - 2½	2⅝ - 2½	2½ - 2⅜	2⅝ - 2½	2⅝ - 2½	2⅞ - 2¾
Can. Dollar	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅞ - 4¾	4⅞ - 4¾	5⅜ - 5¼
US Dollar	5⅜ - 5¼	5⅜ - 5¼	5⅜ - 5¼	5⅝ - 5½	5⅞ - 5¾	6⅛ - 6
Italian Lira	9⅛ - 8⅞	8⅞ - 8⅝	8⅞ - 8⅝	8⅝ - 8½	8⅝ - 8½	8⅝ - 8½
Yen	½ - ⅜	½ - ⅜	⅝ - ½	¾ - ⅝	⅞ - ¾	1¼ - 1⅛
Asian $Sing	3⅜ - 3¼	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅝ - 3½	3⅞ - 3¾

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.18	96.17	-	96.17	96.14	8,588	75,945
Dec	96.06	96.07	+0.01	96.07	96.02	6,111	50,299
Mar	95.86	95.86	-	95.86	95.83	2,719	30,916

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.73	96.72	-0.01	96.73	96.71	21439	177124
Dec	96.63	96.62	-0.02	96.64	96.61	23417	209850
Mar	96.38	96.38	-0.02	96.40	96.36	22306	187024
Jun	96.07	96.07	-0.02	96.10	96.03	26279	113997

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.88	91.80	-0.07	92.13	91.84	17618	56714
Dec	92.25	92.31	-0.05	92.47	92.25	8930	35357
Mar	92.38	92.44	-0.04	92.57	92.38	3801	21786
Jun	92.36	92.42	-0.02	92.43	92.35	[illegible]	12876

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.46	97.39	-0.04	97.46	97.38	7741	33180
Dec	97.36	97.28	-0.04	97.37	97.27	5415	25112
Mar	97.14	97.09	-0.04	97.15	97.08	779	9879
Jun	96.87	96.82	-0.04	96.88	96.83	1166	2204

■ **THREE MONTH EUROYEN FUTURES** (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	99.01	99.02	-	99.01	99.01	30	n/a
Dec	98.71	98.71	-0.01	98.72	98.70	450	n/a
Mar	-	98.43	-	-	-	0	n/a

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.66	95.67	-0.01	95.67	95.65	590	9143
Dec	95.63	95.65	-	95.65	95.63	513	5524
Mar	95.42	95.46	+0.02	95.46	95.42	258	2917
Jun	95.14	95.18	+0.03	95.18	95.14	378	2881

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

July 23		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.71	16.42	4.861	2.022	4951	5.443	20.86	499.0	410.8	21.44	3.950	2.100	4.467	3.257	351.5	2.575
Denmark	(DKr)	53.45	10	8.776	2.593	1.081	2636	2.909	11.15	266.7	219.6	11.46	2.111	1.122	2.387	1.741	187.9	1.376
France	(FFr)	60.90	11.39	10	2.954	1.231	3003	3.315	12.70	303.8	250.1	13.06	2.405	1.279	2.720	1.983	214.1	1.568
Germany	(DM)	20.61	3.857	3.385	1	0.417	1016	1.122	4.300	102.9	84.68	4.420	0.814	0.433	0.921	0.671	72.47	0.531
Ireland	(I£)	49.41	9.251	8.120	2.399	1	2436	2.692	10.31	246.7	203.1	10.60	1.953	1.038	2.209	1.611	173.8	1.273
Italy	(L)	2.029	0.379	0.333	0.098	0.041	100.	0.110	0.423	10.12	8.330	0.436	0.080	0.043	0.091	0.066	7.129	0.052
Netherlands	(Fl)	18.37	3.437	3.017	0.891	0.372	905.9	1	3.832	91.67	75.46	3.939	0.726	0.386	0.821	0.598	64.58	0.473
Norway	(NKr)	47.9	8.969	7.873	2.326	0.969	2364	2.609	10	239.2	196.9	10.28	1.894	1.007	2.141	1.561	168.5	1.234
Portugal	(Es)	20.0	3.750	3.291	0.972	0.405	988.2	1.091	4.181	100.	82.32	4.297	0.792	0.421	0.895	0.653	70.45	0.516
Spain	(Pta)	24.3	4.555	3.998	1.181	0.492	1200	1.325	5.078	121.5	100.	5.220	0.962	0.511	1.087	0.793	85.58	0.627
Sweden	(SKr)	46.6	8.726	7.659	2.262	0.943	2300	2.539	9.729	232.7	191.6	10	1.842	0.979	2.083	1.519	164.0	1.201
Switzerland	(SFr)	25.2	4.736	4.157	1.228	0.512	1248	1.378	5.281	126.3	104.0	5.428	1	0.532	1.131	0.825	89.00	0.652
UK	(£)	47.6	8.909	7.820	2.310	0.963	2348	2.592	9.933	237.6	195.6	10.21	1.881	1	2.127	1.551	167.4	1.226
Canada	(C$)	22.9	4.189	3.677	1.086	0.453	1104	1.219	4.670	111.7	91.96	4.800	0.884	0.470	1	0.729	78.70	0.576
US	($)	30.9	5.744	5.042	1.489	0.621	1514	1.671	6.404	153.2	126.1	6.583	1.213	0.645	1.371	1	107.9	0.790
Japan	(Y)	28.5	5.322	4.671	1.380	0.575	1403	1.548	5.934	141.9	116.8	6.099	1.124	0.597	1.271	0.927	100.	0.732
Ecu		38.4	7.267	6.378	1.884	0.785	1915	2.114	8.102	193.8	159.5	8.326	1.534	0.816	1.735	1.266	136.5	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6755	0.6749	-0.0006	0.6775	0.6745	20,710	68,457
Dec	0.6800	0.6790	-0.0007	0.6804	0.6790	657	2,962
Mar	-	0.6836	-0.0007	-	-	15	342

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8315	0.8302	-0.0014	0.8395	0.8302	15,841	36,630
Dec	0.8410	0.8370	-0.0010	0.8410	0.8370	116	2,024
Mar	-	0.8448	-	-	-	2	95

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9377	0.9347	-0.0026	0.9418	0.9347	30,189	69,520
Dec	0.9478	0.9472	-0.0016	0.9480	0.9472	229	4,310
Mar	-	0.9601	-	0.9610	-	2	142

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5510	1.5530	+0.0026	1.5534	1.5500	5,829	51,951
Dec	1.5530	1.5532	+0.0022	1.5540	1.5530	15	1,128
Mar	-	1.5550	+0.0026	1.5550	-	1	6

UK INTEREST RATES

LONDON MONEY RATES

Jul 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6 - 5⅛	5⅞ - 5⅝	5⅞ - 5¾	5⅞ - 5⅞	5⅞ - 5⅞	6⅛ - 5⅞
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	5⅞ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	6 - 5⅝
Discount Market deps	5⅞ - 5	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Jul 19, 5.4763pc. ECGD fixed rate Stg. Export Finance. Make up day Jun 28, 1996. Agreed rate for period Jul 24, 1996 to Aug 25, 1996, Schemes II & III 7.22pc. Reference rate for period Jun 1, 1996 to Jun 28, 1996, Scheme IV & V 5.935pc. Finance House Base Rate 6pc from Jul 1, 1996

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	94.25	94.27	-	94.27	94.25	5806	98069
Dec	94.14	94.15	-0.01	94.16	94.13	7227	99352
Mar	93.84	93.84	-0.02	93.86	93.83	4346	84345
Jun	93.42	93.43	-0.01	93.44	93.40	3996	44713
Sep	92.98	93.01	-0.01	93.01	92.98	1495	31168

Also traded on APT. A Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9425	0.10	0.14	0.14	0.06	0.24	0.55
9450	0.02	0.05	0.07	0.25	0.41	0.73
9475	0	0.02	0.04	0.48	0.62	0.95

Est. vol. total, Calls 246 Puts 1600. Previous day's open int., Calls 120803 Puts 112602

■ **EMS EUROPEAN CURRENCY UNIT RATES**

Jul 23	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.504	+0.558	-0.61	1.58	4
Netherlands	2.15214	2.14041	-0.00138	-0.55	1.51	4
Belgium	39.3960	39.3029	-0.0276	-0.24	1.20	2
Germany	1.91007	1.90715	-0.00144	-0.15	1.11	2
Austria	13.4383	13.4207	-0.0105	-0.13	1.09	1
Portugal	195.792	196.164	+0.029	0.19	0.77	-1
Ireland	0.792214	0.796247	-0.000195	0.51	0.45	-3
France	6.40608	6.45399	-0.00743	0.75	0.21	-6
Denmark	7.28580	7.35551	-0.00492	0.96	0.00	-7
NON ERM MEMBERS						
Greece	292.867	303.526	+1.282	3.64	-2.59	-
Italy	2106.15	1942.67	+8.73	-7.76	9.45	-
UK	0.786652	0.827789	+0.001035	5.23	-4.08	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	PUTS Aug	PUTS Sep	PUTS Oct
1.520	3.04	3.29	-	0.04	0.31	0.59
1.530	2.22	2.53	-	0.12	0.54	0.88
[illegible]	1.47	1.80	2.26	0.37	0.87	1.24
1.550	0.87	1.35	1.74	0.77	1.31	1.80
1.560	0.45	0.91	1.29	1.30	1.87	2.24

Previous day's vol., Calls 1,790 Puts 1,971. Prev. day's open int., Calls 186,425 Puts 172,880

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.21	94.20	-0.01	94.21	94.19	37,069	403,235
Dec	93.88	93.86	-0.02	93.89	93.86	63,324	436,392
Mar	93.71	93.69	-0.03	93.73	93.69	57,240	268,157

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.72	94.72	-	94.72	94.71	99	7,732
Dec	94.52	94.50	-0.02	94.52	94.50	56	1,545
Mar	-	94.34	-	-	-	16	200

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Aug	CALLS Sep	CALLS Oct	CALLS Dec	PUTS Aug	PUTS Sep	PUTS Oct	PUTS Dec
9650	0.23	0.25	0.19	0.22	0.01	0.03	0.07	0.11
9675	0.05	0.08	0.07	0.10	0.08	0.11	0.20	0.23
9700	0.01	0.02	0.02	0.03	0.29	0.30	0.40	0.41

Est. vol. total, Calls 7961 Puts 3562. Previous day's open int., Calls 328673 Puts 308674

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Sep	CALLS Dec	CALLS Mar	PUTS Sep	PUTS Dec	PUTS Mar
9175	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.19
9200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.27
9225	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.36

Est. vol. total, Calls [illegible] Puts [illegible]. Previous day's open int., Calls [illegible] Puts [illegible]

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	6.75
Financial & Gen Bank	7.00
●Robert Fleming & Co	5.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	5.75
●Hill Samuel	5.75
C. Hoare & Co	5.75
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
• Mount Credit Corp	6.00
NatWestminster	5.75
●Rea Brothers	5.75
Royal Bk of Scotland	5.75
●Singer & Friedlander	5.75
●Smith & Williamson Secs	5.75
Scottish Widows Bank	5.75
TSB	5.75
United Bank of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

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JCI raises the stakes on round-the-clock mining

By Mark Ashurst in Johannesburg

JCI the mining house, yesterday raised the stakes in talks aimed at introducing round-the-clock operations at South African gold mines by announcing plans to invest R805m ($185.90m) over eight years at its Randfontein Estates gold mine.

The expansion would extend the life of the mine by 10-15 years to 2024, but is subject to the introduction of full calendar working and flexible work practices to enable mining seven days a week and on public holidays.

The group wants to mine an estimated 18.7m ton ore body on the Doornkop South Reef, but it warned the investment could be stalled if gold output or bullion prices fell. The expansion was approved after talks with employee organisations, but was "designed so that work can be stopped without penalties being incurred while the project is held in abeyance". JCI said production losses had been "a critical concern in the June quarter". Measures to improve productivity, including full calendar working, had "proved difficult to negotiate" but were being reviewed at national level by an industry-wide forum.

The Doornkop South ore body was forecast to produce an average in-situ grade of 10.5g/ton if existing shafts were deepened to 2km. An estimated R418m of the initial expansion would be funded from retaining earnings and profits after dividends.

The group posted a 22 per cent rise in net income, from R59.7m to R72.7m, for the final quarter to June as the higher rand gold price offset a fall in production. Total gold output fell 1.4 per cent to 10608kg (10775kg), reflecting an overall decline in yields of 3.2 per cent.

Profits were boosted by a strong performance at H.J. Joel, which posted a net income from gold of R12.4m, compared to losses of R1793m in the previous quarter. The mine netted a further R8.3m from interest on the proceeds of a rights issue earlier this year. No dividend was declared for the year.

Gold output at Randfontein fell for the third successive quarter to 5104kg (5224kg), but this was comfortably offset by lower working costs and a 6.7 per cent increase in gold revenue. After-tax profit increased 98 per cent to R25.1m (R12.7m). The final dividend was 75 cents, bringing the total for the year to 130 cents.

JCI said an underground fire at Western Areas had cost "up to 200kg" in lost production, which fell 6.4 per cent to 4263kg (4556kg). The average price received increased 5.3 per cent, but a higher tax bill and interest costs dented after-tax profit, which fell 20 per cent to R44.6m. The final dividend was 60 cents a share; the dividend for the year was 100 cents.

Computer rebirth of the kiwifruit

By Terry Hall in Wellington

Overseas customers seem to be making the most of their last chance to sample traditionally branded New Zealand kiwifruit – next season it will bear a new trademark, Zespri.

This computer-generated name is said to suggest such things as vitality in the minds of consumers. Kiwifruit growers have shown a highly favourable response to the name and to related trademarks which are undergoing various copyright processes round the world.

This is necessary because kiwifruit – which, in the 1970s, replaced the term Chinese gooseberry used by generations of New Zealanders – was not made a trademark and other countries that grew the fruit rode on New Zealand's costly marketing efforts to establish the fruit on world markets. Mr Robin Mills, the new chief executive of the Kiwifruit Marketing Board, said that, a third of the way through the season, international sales were going well in all markets and were well ahead of the same time last year.

The board was optimistic the year would end with higher sales in all markets – "But it is going to be a tough ride to meet last year's returns, given the strength of the Kiwi dollar which hit an eight-year high against the US dollar this week."

Mr Mills said that even to reach last year's total sales of $NZ506.3m (US$352m), the board would have to sell "at the very least" another $NZ46m worth of product, based on current spot rates. The biggest challenges facing the industry this year were to sustain the good growth being seen in all markets, to keep prices at fair levels, and to cope with the strength of the New Zealand dollar.

Sales had made a good start in Europe and prices were ahead of forecast. Sales were being hit by heavy competition from fresh season's summer fruits which were flooding markets, as well as from Chile, which was selling its fruit at up to 50 per cent less than New Zealand. "However sales are on target."

The Canadian market was benefitting from strong promotion. The US market was still constrained by the quota arrangements which followed the dumping problems of five years ago. In Japan, New Zealand kiwifruit's most important market, the product was facing less competition from Chile this year, and sales were ahead of budget in both volume and price.

Cuban sugar's foreign sweetener

European finance lifts an industry starved of capital for four years

By Pascal Fletcher in Havana

Raising cane: Taking in the sugar harvest near Holguin in Cuba Glyn Genin

Cuba, encouraged by an improved 1995/96 sugar harvest, which came close to the official target of 4.5m tonnes, is counting on renewed foreign financing to help lift its sugar output even higher next year – in spite of the threat posed by hostile US legislation that is aimed at frightening away foreign investment on the island.

Financing of Cuban sugar-growing provinces by mostly European banks and companies was one of the novelties of Cuba's recently completed harvest, which produced 4,445,000 tonnes of sugar – 55,000 tonnes short of the official target.

The injection of foreign funds into the depressed Cuban sugar sector, which had been starved of capital, spare parts and fertilisers for four years, appears to have played a significant role in lifting the 1995/96 crop well above the disastrous 1994/95 harvest which produced 3.3m tonnes.

Cuban officials are hailing the latest harvest as a sign that the island's sugar industry is finally emerging from the period of decline triggered by the collapse of Cuba's trade and aid ties with the former Soviet bloc.

"It provides a base on which to grow further," Mr Carlos Lage, the Cuban vice-president, said in an interview. He said it was too early to give a precise projection for the 1996/97 harvest but he was confident the trend would continue to be upwards.

Sugar industry sources said they understood the government was looking to lift production to around 5.3m tonnes this coming season. Mr Lage saw potential production in the future reaching up to 6m tonnes and even 7m tonnes, depending on world market and price factors.

However, the introduction in March of a US law that seeks to tighten the US embargo on Cuba by deterring foreign investment has raised some questions about just how easily Cuba will now be able to secure the financing it needs to keep on funding the recovery in sugar, the traditional mainstay of the economy.

The Helms-Burton Law threatens US sanctions against foreign firms judged to be "trafficking" in expropriated assets in Cuba claimed by US citizens, including former Cuban nationals. Sugar mills are among such assets.

The Dutch banking group, ING, apparently trying to avoid the possible effects of the law, announced early in July it would not renew $80m in loans directly linked to financing sugar production in the Cuban provinces of Havana and Matanzas.

Heading off suggestions that ING's action might herald a stampede of foreign withdrawals from the Cuban sugar sector, Mr Lage said the Dutch bank acted "by mutual agreement" with the Cuban government to reorganise its operations in Cuba. "They have withdrawn from territorial financing but are using different ways of operating."

This explanation appears to leave open the possibility that credits extended or organised by ING could still benefit the Cuban sugar sector, without being tied to specific provinces.

Some other foreign banks and companies involved in sugar financing were also taking protective measures to reorganise their operations in Cuba, Mr Lage said.

Sugar industry sources said British trader E.D. & F. Man Sugar, which, like ING, was prominent in financing specific provinces in the 1995/96 harvest, was one of these.

"Territorial financing", targetting specific provinces, contributed an estimated $130m in funds for the recently-ended harvest.

Additional loans outside this scheme had brought the total financing for the 1995/96 sugar campaign to $300m, according to Cuban officials. Mr Lage said the government had so far managed to increase the amount of financing contracted for the 1996/1997 harvest. "It reaches a little further – I think that we will have perhaps around 10 per cent more," he added.

But the Helms-Burton Law had not helped the timing or flow of the pre-harvest financing, which helps to pay for essential inputs like fertilisers. "Finance that should have arrived at a certain time was postponed, some has still not arrived and some is now starting under a new form of operation," Mr Lage said.

This complicated an already tense preparation period for the next harvest. Sugar workers across the island were battling to make up delays in key tasks such as distributing fertiliser, repairing mills, weeding growing canefields and planting new cane.

In June, Cuban exiles who are former owners of nationalised sugar mills and plantations, grouped in the Miami-based Asociacion Nacional de Hacendados de Cuba, asked the US government to investigate 10 foreign banks and companies as possible "traffickers" in the Cuban sugar sector.

Besides ING and Man, the firms named included the Mexican state foreign trade bank Bancomex, Spain's Banco Bilbao Vizcaya and Banco Sabadell, the Lebanese Fransabank, Sucden of France and the Anglo-Dutch Group Vitol. Some of these are known to have been involved in the financing of the 1995/96 harvest.

But at least two of the companies named, Tate and Lyle and Belize Holdings of Britain, are not believed to have any current direct operations on the island, although they have investigated possible projects.

It is still not clear what action, if any, the US authorities intend to take against firms involved in the Cuban sugar sector.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1488.5-89.5	1505-06
Previous	1446-7	1482-3
High/low	1481.5	1510/1490
AM Official	1481.5-82	1498.5-99
Kerb close		1508-09.5
Open int.	228,479	
Total daily turnover	43,299	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1255-60	1290-92
Previous	1235-45	1275-80
High/low		1295/1288
AM Official	1252-57	1287-90
Kerb close		1290-95
Open int.	4,815	
Total daily turnover	467	

■ LEAD ($ per tonne)

Close	779-80	787-8
Previous	773.5-4.5	783-4
High/low	781	793/785
AM Official	780.5-1	788.5-9
Kerb close		787-8
Open int.	31,341	
Total daily turnover	4,702	

■ NICKEL ($ per tonne)

Close	7060-70	7175-80
Previous	6935-45	7050-60
High/low	7010/7000	7215/7100
AM Official	7010-15	7110-15
Kerb close		7210-20
Open int.	41,609	
Total daily turnover	6,066	

■ TIN ($ per tonne)

Close	6195-200	6250-55
Previous	6160-70	6215-20
High/low		6270/6250
AM Official	6215-25	6270-80
Kerb close		6250-60
Open int.	15,664	
Total daily turnover	4,171	

■ ZINC, special high grade ($ per tonne)

Close	992.5-3.5	1020-21
Previous	986-7	1014-5
High/low	993	1022/1018
AM Official	992.5-3.5	1019.5-20
Kerb close		1022-23
Open int.	66,434	
Total daily turnover	11,362	

■ COPPER, grade A ($ per tonne)

Close	2020-25	1933-34
Previous	1968-73	1887-83
High/low	2015	1945/1910
AM Official	2015-17	1918-19
Kerb close		1942-43
Open int.	193,533	
Total daily turnover	79,549	

■ LME AM Official £/$ rate: 1.5532
LME Closing £/$ rate: 1.5520

Spot: 1.5517 3 mths: 1.5512 6 mths: 1.5521 9 mths: 1.5531

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Jul	92.05	+2.75	93.50	90.15	580	1,709
Aug	92.35	+2.95	93.00	90.10	325	2,344
Sep	91.95	+2.55	93.30	89.40	2,761	19,838
Oct	91.15	+2.00	–	–	146	1,349
Nov	90.75	+1.85	–	–	1	1,129
Dec	90.25	+1.75	91.30	88.60	566	13,067
Total					4,307	57,873

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.50-383.90		
Opening	385.40-385.90		
Morning fix	385.20	248.38	464.21
Afternoon fix	385.10	247.97	465.47
Day's High	385.50-385.90		
Day's Low	383.40-383.80		
Previous close	384.60-385.10		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.51	6 months	4.10
2 months	4.43	12 months	4.05
3 months	4.38		

Silver Fix	p/troy oz.	US cts equiv.
Spot	323.70	503.00
3 months	327.80	509.25
6 months	331.80	515.85
1 year	340.45	529.75

Gold Coins	$ price	£ equiv
Krugerrand	382.5-385.5	247-249
Maple Leaf	394.00-396.50	
New Sovereign	87-89	56-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Jul	383.2	–	–	–	10	–
Aug	383.8	–	386.6	384.2	26,178	[illegible]
Oct	386.2	–	388.5	387.0	1,789	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
Sep	110.00	-0.25	110.10	110.00	0	384
Nov	112.40	-0.20	112.60	112.30	41	2,955
Jan	114.35	-0.25	114.60	114.30	21	1,271
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

Jul	1094	-25	1115	1085	18	1,231
Aug	1101	-34	1120	1095	60	1,200
Sep	1129	-37	1165	1129	125	379
Oct	1216	-30	1240	1216	58	1,357
Jan	1250	-13	1250	1250	52	338
Apr	1236	-35	1265	1250	84	147
Total					386	4,481

	Close	Prev
BFI	1103	[illegible]

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
Jul	973	-13	[illegible]	[illegible]	4	284
Sep	[illegible]	-17	1005	[illegible]	1,136	41,586
Dec	[illegible]	-17	1013	[illegible]	1,646	40,735
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	76.10	-1.20	76.20	76.10	117	4,114
Oct	76.62	-0.53	76.70	76.55	–	853
Total					7,928	61,398

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	110.25	-1.00	111.70	109.00	822	11,869
Nov	107.50	-1.00	109.20	106.50	345	3,469
Jan	107.35	-0.90	108.75	108.40	174	4,137
Mar	109.00	-1.25	110.45	108.80	81	553
May	110.75	-1.25	–	–	–	218
Jul	112.25	-1.25	–	–	–	184
Total					1,392	20,861

Minor Metals

European free market, from Metal Bulletin. $ per lb in warehouse unless otherwise stated. (Last week's in brackets where changed). Antimony 99.6% $ [illegible] tonne: 2675-2800 (2700-2850). Bismuth 99.99% tonne lots: 3.30-3.70 (3.20-3.70). Cadmium 99.95%: 95.00-105.00 cents/lb. Cobalt MB Free Market 99.8%: 21.25-22.25 (23.00-23.75). 99.3%: 19.00-20.00 (21.00-22[illegible]). Mercury 99.99% $ per 76lb flask: [illegible]-172. Molybdenum Drummed molybdic oxide: 3.35-3.50 (3.35-3.55). Selenium 99.5%: 3.05-4.30 (3.05-4.40). Tungsten ore 65%: $ per tonne unit (10kg) WO_3, cif, 45-55 (52-6[illegible]). Vanadium 98% cif: 2.98-3.08 (3.00-3.08). Uranium - nuexco exch value: 15.00.

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Jul 23	Jul 22	month ago	year ago
1987.5	1990.5	2010.6	2189.6

■ CRB Futures (Base: 1967=100)

Jul 22	Jul 19	month ago	year ago
240.80	243.21	na	na

■ GSCI Spot (Base: 1970=100)

Jul 22	Jul 19	month ago	year ago
195.58	198.54	200.63	173.10

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int.
Aug	65.925	-0.35	66.125	65.725	7,206	30,190
Oct	68.800	+0.275	68.875	67.900	4,107	30,065
Dec	65.850	+0.1	66.000	65.650	2,062	15,356
Feb	63.925	-0.025	64.025	63.750	1,282	12,850
Apr	66.050	-0.075	66.050	65.900	542	4,804
Jun	64.950	-0.05	64.950	64.825	130	1,845
Total					16,098	97,312

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Jul	62.450	+0.275	62.600	61.650	486	833
Aug	57.150	-0.825	57.400	56.800	2,842	11,671
Oct	52.725	-0.9	53.600	52.650	1,204	11,690
Dec	54.250	-0.475	54.725	54.050	1,375	8,187
Feb	74.825	-0.8	75.500	74.650	178	2,330
Apr	72.950	-0.7	73.300	72.750	79	[illegible]
Total					6,233	36,418

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Jul	93.400	-2	97.375	93.400	177	[illegible]
Aug	88.625	-2	92.825	88.625	1,858	3,037
Feb	78.375	-2	81.500	78.375	749	1,953
Mar	77.500	-2	81.500	77.500	16	144
May	78.500	-1.8	–	78.600	6	76
Jul	80.100	-1.9	–	80.100	7	7
Total					3,012	6,187

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	98	140	5	16
1500	30	75	36	48
1600	5	33	110	105
■ COPPER (Grade A) LME	Sep	Dec	Sep	Dec
1800	201	188	14	66
1900	126	132	37	98
2000	70	88	81	140
■ COFFEE LCE	Sep	Nov	Sep	Nov
1650	60	73	77	189
1700	42	59	109	225
1750	31	46	148	265
■ COCOA LCE	Sep	Dec	Sep	Dec
975	33	70	22	51
1000	22	58	36	64
1025	13	48	52	79
■ BRENT CRUDE IPE	Aug	Sep	Aug	Sep
1850	-	-	33	82
1900	66	60	30	72
1950	44	49	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.81-7.88	+0.22
Brent Blend (dated)	$19.48-9.52	+0.285
Brent Blend (Sep)	$19.28-9.30	+0.26
W.T.I.	$20.94-0.95x	+0.335

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$209-211	-1.5
Gas Oil	$181-182	+1
Heavy Fuel Oil	$87-89	-1
Naphtha	$192-195	+4.5
Jet fuel	$207-209	+2
Diesel	$184-186	+1.5

■ NATURAL GAS (Pence/therm)

Bacton (Aug)	13.05-13.25	+0.05

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$383.70	-1.15
Silver (per troy oz)♣	497.50c	-3.00
Platinum (per troy oz.)	$396.50	+2.85
Palladium (per troy oz.)	$134.00	+0.75
Copper	95.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.21r	-0.03
Tin (New York)	290.50	-1.00
Cattle (live weight)	100.25p	-0.79*
Sheep (live weight)	110.22p	-3.41*
Pigs (live weight)†	106.47p	-10.38*
Lon. day sugar (raw)	$308.40	-6.40
Lon. day sugar (wte)	$360.00	-6.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Aug)♥	90.75p	-0.50
Rubber (Sep)♥	90.75p	-0.50
Rubber (KL RSS No1)	335.00m	
Coconut Oil (Phil)§	780.00w	
Palm Oil (Malay.)§	$470.0	+2.5
Copra (Phil)§	$506.0w	
Soyabeans (US)	215.0w	
Cotton Outlook 'A' index	80.30c	+0.15
Wooltops (64s Super)	430p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Sep. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,200 head of pigs sold.

JOTTER PAD

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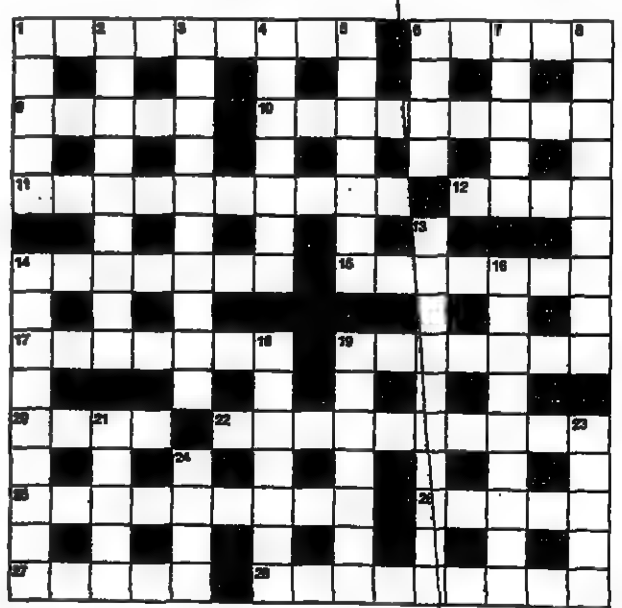
CROSSWORD

No.9,128 Set by VIXEN



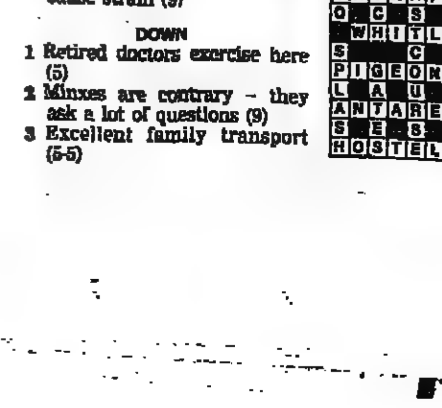
ACROSS

1 Not going brown, so maybe pine (9)
6 Guys making cracks (5)
9 Capital investment for a soldier at one time (5)
10 Bully people in high places (9)
11 Stammer in a distressing way in general (10)
12 None rushed for the port (4)
14 Mount without hesitation when given guidance (7)
15 New clients 19 down (7)
17 Daring outfit with leather insertion (7)
19 More obvious means less attractive (7)
20 Collect up some of the apples that fall (4)
22 A little red convertible incorrectly handled (3-7)
25 Unprincipled professional man cutting discount (9)
26 Go round – otherwise a scrap will result (5)
27 A woman lines all of them separately (5)
28 "X" senses change might cause strain (9)

DOWN

1 Retired doctors exercise here (5)
2 Minxes are contrary – they ask a lot of questions (9)
3 Excellent family transport (5-5)
4 Broken in[illegible] as set down (7)
5 Invaders' standard answer (7)
6 Such efficiency reveals the experienced cook (4)
7 Taking a rest maybe in the garden (5)
8 He'll slaughter the unknown outside left (9)
13 Lowly creature – deep and awfully mean one (3-7)
14 It's swell about the cleaner getting extra money (9)
16 A good painter does flat (9)
18 To irritate a six-footer is bold! (7)
19 15 talk over [illegible]point (7)
21 Power the French find quite sufficient (5)
23 Gets old-fashioned fruit (5)
24 Fur company New York) (4)

Solution 9,127



FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

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	Selling Price	Buying Price	+ or -	Yield Gross
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Asn Gwth Fd	$10.8139	11.4876	—	-
Offshore Emerging Gbl	$7.4370	7.9033	—	-
Offshore Far East Gwth Fd	$8.0211	8.3980	—	-
Offshore Intl Gwth Fd	$5.9722	6.3457	—	-
Offshore Japanese Gwth Fd	$1.3123	1.3948	—	-
Offshore UK Growth Fd	$3.8462	3.8738	—	-
Offshore Asia Smller Mkts	$1.7610	1.8721	—	-
Offshore Latin Amer Growth	$1.0744	1.1418	—	-
Offshore European Gwth Fd	$2.5252	2.6835	—	-
Offshore Global Bond	$0.9882	0.9982	—	-
Offshore Global Bond Acc	$1.1348	1.1821	—	-
The Portugal Fund Limited				
Lloyds Bank International (Jersey) Limited				
NAV Jul 19		$7.14	—	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£23.35	23.59	—	1.14
Lowes Aggressive Portfolio	£10.73	11.29	—	-
Lowes Defensive Ptfolio	£11.74	12.34	—	-
Lowes Collective Ptfolio Ltd	£11.2	11.76	—	-
For Schlesinger Assoc Gee see Hambros				
TSB Fund Managers (CI) Ltd				
TSB Island Pension	708.3	745.7	-0.2	-
Island Equity Acc	123.0	129.5	-0.2	-
WMB Asset Management (Jersey) Ltd				
[illegible]	$996.21	996.34	—	-
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$255.39	256.67	—	6.00
Excalibr Global Eqty $ *	$73.50	78.00	-0.67	-
Excalibr Stg Global Bond Inc*	£11.80	11.87	+0.13	4.90

(Closes weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

	Init Charge	Selling Price	Buying Price	+ or -	Yield Gre
Dresdnerbank Asset Mngmt SA (u)					
Dit-Lux Bondspezial (Inc)		DM71.13	73.28	—	-
Dit-Lux Bondspezial (Cap)		DM99.6	102.63	—	-
E.T. Investment Management Ltd					
13 Rue Goethe, BP 413, Luxembourg 00 352 404646217					
[illegible] Jul 19		$2.554		-0.11	-
Eigstan Global SICAV (u)					
13 Rue Goethe, L-1637, Luxembourg 00 352 404646213					
Equity Portfolio Jul 18		$2.300		-0.066	-
Reserve Portfolio Jul 18		$2.059		+0.029	-
EquiFund—Wright National Eqty Fd (m) (x)					
14 rue Aldringen, L-1118 Lux 00 352 473 [illegible]					
Australasian Nat		A$15.32	15.48	—	-
Austrian Nat Equity		Sch64.36	65.67	—	-
Belgium/Lux Nat. Eqty		BFr717	725	—	-
French Nat Equity		FFr122	126.57	—	-
German Nat Equity		DM17.21	17.38	—	-
Dutch Nat Equity		Fl36.45	36.81	—	-
Italian Nat Equity		L12010	12130	—	-
Japanese Nat Equity		Y1353	1367	—	-
Hong Kong Nat Equity		HK$[illegible]	115.73	—	-
Spanish Nat Equity		Pta1173	1185	—	-
UK Nat Equity		£10.02	10.12	—	-
United States Dlr Res		$10.56		—	-
Fidelity Funds (u)					
Kansallis Hse, Place de l'Etoile, L-1021 Lux BP 2174					
UK-01732 777377 Lux-00 352 250404 228					
Major Market Funds					
America		$2.140		-0.026	-
Europe		DM4.621		-0.027	-
International		$15.68		-0.15	-
Japan		Y138.2		-2.4	-
Pacific		$9.026		-0.075	-
South East Asia		$2.741		-0.039	-
Country Select Funds					
ASEAN		$21.87		-0.32	-
Asian Special Situations		$10.87		-0.12	-
Australia		A$13.02		-0.03	-
Emerging Markets		$8.829		-0.041	-
European Sm Cos F		DM12.53		-0.10	-

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

CHEMICALS - Cont.

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING - Cont.

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

FOOD PRODUCERS - Cont.

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

OTHER FINANCIAL - Cont.

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

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LONDON STOCK EXCHANGE

MARKET REPORT

Bullish CBI survey helps Footsie recapture 3,700

By Steve Thompson,
UK Stock Market Editor

A bullish report from the Confederation of British Industry, a successful gilts auction and relief that supermarket *group* Tesco was not about to tap the market for a £1bn rights issue drove London share prices sharply higher yesterday.

Adding to a generally better feeling in the market place was a late rally on Wall Street overnight and a positive opening performance by the Dow Jones Industrial Average at the outset yesterday.

Driven by a combination of those bullish factors, the FT-SE 100 index embarked on a strong rally early in the session, eventually recaptured the 3,700 level lost on Monday and finally settled only a fraction below the day's best levels. It ended 27.1 higher at 3,708.4.

Demand for the market's secondliners was much more restrained, despite a handful of excellent individual performances, from stocks like *Mersey Docks*, *Carpetright*, Caradon and Medeva.

Television companies HTV and Scottish TV were said to have been largely responsible for the lack of performance by the FT-SE Mid 250 Index, which closed only 5.9 ahead at 4,236.9.

The television stocks were thought to have been affected by switching into BSkyB, which topped the FT-SE 100 individual performance league with a gain of almost three per cent.

Dealers in *London* remained cautious about the market's *performance*, however, pointing once again to the relatively *low* levels of *genuine customer* business in the *market and the continuing* nervousness surrounding the US stockmarket.

Wall Street opened in excellent form, building on the previous day's late rally, which followed satisfactory results from Microsoft, one Wall Street's most important high technology stocks.

It was poor results from Motorola and a profits warning from Hewlett Packard, both highly-rated technology stocks, that were seen to trigger the recent sell-off in the US and which upset global stock markets.

"It was good to see the Footsie back above 3,700 but the market was lacking real conviction" said one leading UK trader.

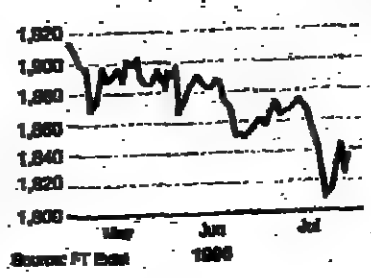
Tesco's *reluctance* to pay top dollar for Docks de France, the French supermarket group, brought widespread relief to a market fearing a £1bn-plus rights issue. This catapulted Tesco shares to second position in the Footsie table, only just ahead of British Steel, whose shares were aggressively bought ahead of today's annual meeting.

A batch of new entrants to the market was highlighted by the splendid debut of *Allied Carpets*, whose shares, initially placed at 215p, raced up to near 10 per cent premium. There was no such good fortune for biotech stock Therapeutic Antibodies whose shares, placed at 525p, slipped below 500p before closing at 509p.

Bank of Scotland was a notable underperformer among the leaders, with some dealers becoming increasingly uneasy *about the sale* of Standard Life's 32 per cent stake.

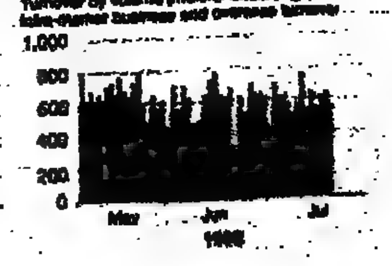
Turnover in equities at 6pm was 605.7m. Retail business on Monday was worth £1.36m.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3708.4	+27.1	FT Ordinary index	2713.4	+16.7
FT-SE Mid 250	4236.9	+5.9	FT-SE-A Non Fins p/e	16.90	16.74
FT-SE-A 350	1858.8	+11.2	FT-SE 100 Fut Jul	3707.0	+30.0
FT-SE-A All-Share	1839.43	+10.26	10 yr Gilt yield	7.93	7.90
FT-SE-A All-Share yield	3.90	3.93	Long gilt/equity yld ratio:	2.13	2.10

Best performing sectors

1 Gas Distribution +2.5
2 Tobacco +1.9
3 Pharmaceuticals +1.5
4 Banks: Retail +1.2
5 Building Mats & Merchs +1.0

Worst performing sectors

1 Transport -0.4
2 Electricity -0.4
3 Other Financial -0.4
4 Diversified Industrials -0.3
5 Breweries, Pubs & Rest -0.3

Buyers in for Steel

A combination of buy-back talk plus hopes for some good news on trading sent British *Steel to the top end of the* Footsie performance charts ahead of today's annual meeting.

The group *is just coming off* the top of its latest trading cycle and share bu-yback talk is quick to resurface whenever the company makes a *public* appearance. Also, the company traditional provides trading information at its agm.

But some analysts felt the market was riding for a fall. "It could well be that British Steel will take the opportunity to soften up the institutions for downbeat trading news later this year. Steel prices have been easing and sterling has been going in the opposite direction", said one broker.

The shares climbed back to the top of their recent trading range, adding 4½ to 172p in 7.8m traded.

SmithKline up

Pharmaceuticals group SmithKline Beecham rose 8½ to 696p, in heavy trading of 13m, as analysts moved to upgrade profit estimates following pleasing interim figures.

Analysts were particularly happy with the contribution made by new drugs and several indicated they would be upgrading full year profit estimates by around £15m to the £1.52m mark.

Maintained margins were another factor cheering the city and dealers said it reflected the increased spending on advertising and marketing.

However, the good news in the sector was not confined to SmithKline Beecham. Shares in Glaxo Wellcome moved *strongly ahead in late trading* gaining 20¼ to 911½p after it made an announcement on its anti-HIV drug Epivir. The company *said a study to assess the* effect of Epivir had been halted after analysis showed a reduction in the rate of progression to *AIDS and death among HIV* patients who received it.

One analyst said; "This is a significant move and may give Glaxo a significant position in the battle against Aids."

Carpets winners

Allied Carpets made a sparkling debut yesterday, closing at 234p, compared with a placing price of 215p.

However, some of the limelight was stolen by Carpetright, with Lord Harris, chairman and chief executive, reporting at the agm that sales were up 33 per cent in the first *12 weeks of the year.*

Carpetright rose 23 to 547p, although some analysts warned that the company's aggressive expansion plans could result in margin attrition. Mr Tony Shiret of BZW said that too much capacity may be coming on stream and this would put pressure on margins.

W H Smith rose 10 to 471p, partly as a result of a profits warning by Filofax which said that changes in W H Smith's supply chain policy was adversely affecting it, with W. H. Smith, its biggest single customer, cutting stocks and ordering on shorter runs.

Analysts also said that W H Smith's strategic review was *one of the most radical steps* that the group had ever taken and that much was expected to be delivered. Filofax fell 105 to 165p.

Kingfisher rose 12 to 620p on the back of BZW upgrading its forecast for the year to January *1997 from £345m to £355m.*

Speculation over whether Signet was about to dispose of its UK jewellery chains to Apax, *the venture capitalist*, lifted Signet 1⅛ to 24½p. Rumours of a deal having being agreed, which were denied by Signet, also helped Goldsmiths Group which rose 3 to 318p.

Press reports have suggested that one option for Apax would be to buy Goldsmiths and take the combined group private.

A broker profits upgrade lay behind the sharp rise recorded by international banking group HSBC. The shares jumped 25 to 1068p, though volume was a light 1.8m.

Analysts at Merrill Lynch yesterday upgraded current year profit estimates from £3.96bn to £4.26bn and said the move "reflects more stable margins and higher dealing profits in Hong Kong".

The group reports interim *figures next month and* Merrill Lynch expects half-time results to be around £2.19.

In the rest of the sector, Barclays *continued to be a good* trade and the shares hardened 6¼ to 804p, while National Westminster gained 7 to 626p.

Better than expected figures from Shell Transport US subsidiary Shell Oil cheered leading oil stocks in the UK market sending the shares firmly ahead.

News of the improved figures, which one analyst said were "at least 15 per cent ahead of the market's best estimates," followed reports of improved profitability in US oil companies as a whole. Shares in Shell Transport put on 8 to 982p, after trade of 4.8m. Those of BP also improved and closed 6¼ ahead at 590p.

British Gas remained firm, gaining 5 to 195½p, in trade of 7.8m as the market continued to speculate that the company will *soon come to an* agreement with the regulator about price proposals for TransCo, the group's pipeline business.

An upbeat results statement from bus and rail operator Stagecoach pushed the shares up 5 to 439p. The group was optimistic about trading margins and hopeful of picking up further rail franchises.

Channel tunnel operator Eurotunnel came off sharply on debt restructuring worries. The group's self-imposed deadline for a deal with its banks runs out next week. The shares fell 5 to 103p.

BAA, hit by profits windfall tax jitters on Monday, shed a further 7 to 489p. British Airways ended off 4¼ at 510p following regulatory concern and Dutch press stories pointing to margins pressure at rival airline, KLM.

Heavy selling pushed shares in international conglomerate Hanson down their lowest level for seven years. The stock ended off 3 at 155¾p in 18m traded. A further 3.8m equivalent passed through the traded option pits.

There were no specific stories apart from a modest debt downgrade for Hanson America by Moody's, the credit rating agency.

Orange was the worst performing stock in the FT-SE 100, sliding 5¼ to 182p. Shares were floated earlier this year at 206p. There was said to have been switching into mobile phones rival Vodafone where traders have lately been talking a *story* of greater UK marketing initiative and fast growing international operations as a cushion against tough trading at home. Vodafone added 3 to 224½p in front of today's annual meeting.

Tesco's decision not to make a bid for Docks de France resulted in the company's shares rising 8 to 286p, amid widespread relief that there was no rights issue to fund the acquisition.

A *shortage* of stock together with news that BSkyB had agreed a deal to televise Welsh rugby, drove the group's *shares to an* all time high. The shares jumped 14 to 494p, making it the day's best performer in the Footsie.

FINANCIAL TIMES EQUITY INDICES

	Jul 23	Jul 22	Jul 19	Jul 18	Jul 17	Yr ago	*High	*Low
Ordinary Share	2713.4	2696.7	2717.8	2700.4	2678.7	2572.9	2865.2	2658.5
Ord. div. yield	4.14	4.17	4.14	4.13	4.16	4.14	4.17	3.76
P/E ratio net	16.21	16.10	16.24	15.97	15.86	16.13	17.25	15.80
P/E ratio nil	16.09	15.99	16.13	15.88	15.77	15.77	17.03	15.71

Ordinary Share index since compilation: high 2865.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2695.3	2704.4	2708.9	2714.2	2710.0	2708.9	2709.5	2707.7	2711.3	2714.2	2695.3

	Jul 23	Jul 22	Jul 19	Jul 18	Jul 17	Yr ago
SEAQ bargains	25,479	26,762	27,014	24,016	25,632	24,163
Equity turnover (£m)†	–	1325.6	1667.3	1535.5	1585.3	1257.3
Equity bargains†	–	29,763	33,232	29,494	34,271	34,474
Shares traded (mil)†	–	462.4	567.8	540.5	614.5	525.0

†Excluding intra-market business and overseas turnover.

	Jul 23	Jul 22	Jul 19	Jul 18	Jul 17	Yr ago	*High	*Low
FT-SE AIM	1055.20	1051.50	1057.70	1045.30	1037.00	–	1140.40	985.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	600	Total Highs	29	Total contracts	35,450
Total Falls	644	Total Lows	35	Calls	16,965
Same	1,567			Puts	18,485

Jul 23 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

FT-SE 100 INDEX OPTION (LIFFE) (*3702) £10 per full index point

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

FT GOLD MINES INDEX

FT-SE Actuaries Share Indices — The UK Series

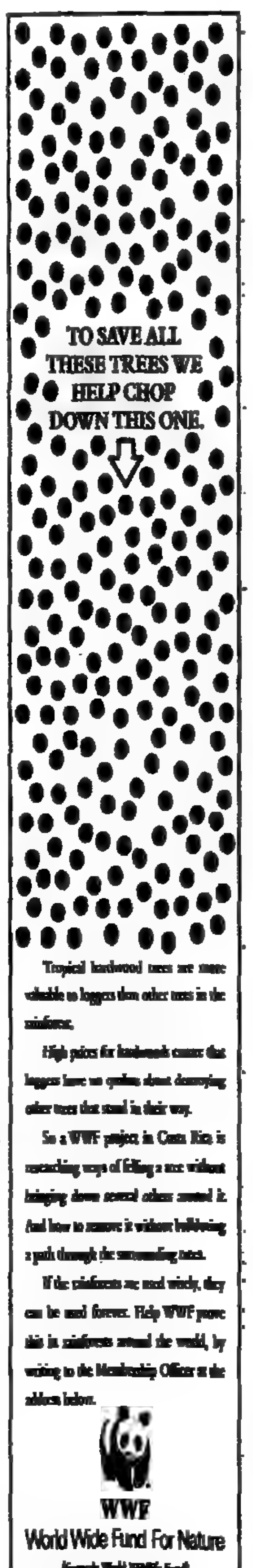
FT-SE Actuaries All-Share

Hourly movements

FT-SE Actuaries 350 Industry baskets

TRADING VOLUME

Major Stocks Yesterday



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Jul 23 / Sch)

BELGIUM/LUXEMBOURG (Jul 23 / Frs.)

CZECH REP (Jul 23 / Koruna)

DENMARK (Jul 23 / Kr)

FINLAND (Jul 23 / Mks)

FRANCE (Jul 23 / Frs.)

GERMANY (Jul 23 / Dm.)

GREECE (Jul 23 / Drachma)

ITALY (Jul 23 / Lire)

NORWAY (Jul 23 / Kroner)

POLAND (Jul 23 / Zloty)

PORTUGAL (Jul 23 / Escudo)

SPAIN (Jul 23 / Pta.)

NETHERLANDS (Jul 23 / Fls.)

SWEDEN (Jul 23 / Kronor)

SWITZERLAND (Jul 23 / Frs.)

TURKEY (Jul 23 / Tk Lira)

PACIFIC

JAPAN (Jul 23 / Yen)

AUSTRALIA (Jul 23 / Aust$)

HONG KONG (Jul 23 / H.K.$)

INDONESIA (Jul 23 / Rupiah)

MALAYSIA (Jul 23 / MYR)

NEW ZEALAND (Jul 23 / NZ $)

SINGAPORE (Jul 23 / S$)

SOUTH KOREA (Jul 23 / Won)

TAIWAN (Jul 23 / TW $)

THAILAND (Jul 23 / Baht)

NORTH AMERICA

CANADA

TORONTO (Jul 23 / Can $) 4 pm close

MONTREAL (Jul 23 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Jul 23 / Rand)

INDICES

	Jul 23	Jul 22	Jul 19	1996 High		1996 Low	
Argentina							
General(29/12/77)	(u)	16703.80	16801.09	18881.95	20/5	15928.81	19/3
Australia							
All Ordinaries(1/1/80)	2136.0	2152.4	2157.6	2328.00	25/4	2098.18	17/7
All Mining(1/1/80)	987.2	975.0	972.7	1118.48	8/5	984.90	18/7
Austria							
Credit Aktien(30/12/84)	352.53	349.85	351.77	384.90	31/5	348.88	22/7
Traded Index(2/1/91)	1024.20	1014.63	1025.48	1142.51	28/5	975.27	2/1
Belgium							
BEL20(1/1/91)	1673.53	1672.50	1687.77	1773.36	28/5	1574.80	2/1
Brazil							
Bovespa(29/12/83)	(u)	62991.0	64117.0	69822.08	12/7	48804.00	2/1
Canada							
Metals Minls(1975)	(u)	4971.24	4987.91	5324.88	8/5	4697.47	18/1
Composite(1975)	(u)	4971.68†	5005.00	5246.48	31/5	4739.78	15/1
Portfolio(4/1/83)	(u)	2455.99†	2470.59	2595.56	27/5	2327.30	12/1
Chile							
IPSA Gen(31/12/80)	(u)	5607.58	5625.61	5804.33	8/1	5215.28	8/4
Denmark							
CopenhagenSE(3/1/83)	407.93	407.88	409.16	415.10	4/7	388.49	2/1
Finland							
HEX General(28/12/90)	1984.12	1984.65	1994.55	2070.42	31/5	1851.67	10/1
France							
SBF 250(31/12/90)	1360.39	1350.95	1369.00	1457.56	8/5	1258.16	2/1
CAC 40(31/12/87)	1982.23	1960.33	1992.83	2149.79	30/4	1897.85	11/1
Germany							
FAZ Aktien(31/12/58)	875.41	877.63	890.06	911.74	5/7	818.55	2/1
Commerzbank(1/12/53)	2532.40	2539.10	2575.90	2627.80	5/7	2370.20	2/1
DAX(30/12/87)	2475.07	2482.40	2520.19	2583.49	5/7	2284.86	2/1
Greece							
Athens SE(31/12/80)	888.40	896.07	897.17	1017.86	4/3	888.40	23/7
Hong Kong							
Hang Seng(31/7/64)	10865.31	10798.29	10845.30	11594.99	18/2	10204.87	2/1
India							
BSE Sens.(1979)	3663.08	3607.60	3763.08	4069.28	18/6	2828.66	25/1
Indonesia							
Jakarta Comp.(10/8/82)	578.16	579.76	580.07	638.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2421.47	2429.75†	2440.75	2595.19	18/6	2234.81	2/1
Italy							
Banca Comm Ital(1972)	616.24	616.72	624.61	674.10	20/5	572.21	27/3
MIB General(2/1/86)	1045.0	1045.0	1059.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	21153.59	21005.63	21476.29	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	297.26	295.85	301.04	319.70	26/6	284.46	11/3
Japan							
Topix(4/1/68)	1609.70	1603.23	1630.60	1722.13	26/6	1524.12	13/3
2nd Section(4/1/68)	2179.04	2197.85	2216.50	2251.40	2/7	1982.78	14/3
Malaysia							
KLSE Comp.(4/4/86)	1107.28	1111.57	1126.40	1189.84	30/4	983.38	2/1
Mexico							
IPC(Nov 1978)	(u)	3014.59	3080.05	3352.98	22/5	2736.38	8/3
Netherland							
CBS TtlRtnGen(End 83)	607.5	606.3	615.7	652.80	12/6	539.50	2/1
CBS All Shr(End 83)	360.3	359.6	365.2	387.10	12/6	328.70	2/1
New Zealand							
Cap. 40(1/7/86)	2085.87	2083.07	2081.81	2203.85	4/1	2025.14	7/6
Norway							
Oslo SE(Ind)(2/1/83)	1385.11	1380.42	1392.71	1488.71	12/6	1289.89	30/1
Philippines							
Manila Comp(2/1/85)	3170.10	3217.42	3228.30	3374.48	5/7	2578.97	2/1
Portugal							
BVL 30(4/1/93)	1937.42	1953.04	1935.57	1989.29	3/7	1802.81	2/1
Singapore							
SES All-S'pore(2/4/75)	546.94	550.63	553.89	610.37	5/2	546.94	23/7
South Africa							
JSE Gold(28/9/78)	1791.7♥	1785.4	1789.1	2030.40	29/5	1346.40	2/1
JSE Ind.(28/9/78)	7867.1♥	7985.9	8040.5	8728.30	25/1	7723.20	20/5
South Korea							
KoreaCmpEx**(4/1/80)	838.78	838.75	837.39	986.84	7/5	812.86	16/7
Spain							
Madrid SE(30/12/85)	355.69	353.45	358.19	376.25	1/7	323.75	11/1
Sweden							
AffarsvarldenGen(1/2/37)	1885.6	1891.8	1915.1	2089.80	8/6	1706.80	22/1
Switzerland							
Swiss Bk Ind(31/12/58)	1702.74	1690.81	1740.81	1811.88	11/7	1516.19	17/1
SBC General(1/4/87)	1212.22	1205.07	1237.05	1284.98	11/7	1114.47	26/1
Taiwan							
Weighted Pr.**(30/6/66)	6086.16	6159.08	6192.28	6580.41	29/6	4690.22	8/2
Thailand							
Bangkok SET(30/4/75)	1164.61	1164.19	1182.38	1415.84	6/2	1164.19	22/7
Turkey							
Istanbul Cmp.(Jan 1986)	65017.8	66342.9	65204.7	79631.30	8/7	38779.38	2/1
WORLD							
MS Capital Intl$(1/1/70)	749.2*	747.2	754.8	788.20	1/7	725.80	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1615.82	1618.05	1638.74	1706.78	4/7	1504.40	11/1
Euro Top-100(26/6/90)	1379.58	1370.05	1391.82	1409.28	26/4	1339.81	11/1
HSBC JC Drgn(31/12/88)	(u)	368.51	371.68	389.18	18/4	344.19	2/1
ING Brngs Emrg(7/1/92)	(u)	159.63	159.72	165.81	4/7	147.35	2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Jul	1974.0	1985.0	+22.0	1985.0	1971.0	12,541	27,337
Aug	1977.5	1990.5	+22.0	1989.5	1977.0	1,728	8,598
DAX							
Sep	2482.0	2504.5	+24.0	2505.0	2475.0	18,790	–
Dec	2495.0	2523.0	+18.5	2519.0	2495.0	264	–
OMX							
Jul	1454.00	1447.25	–4.75	1456.00	1446.25	6,260	12,368
Aug	1458.75	1452.50	–2.50	1460.75	1451.50	3,247	7,648
SOFFEX							
Jul	3559.1	3588.9	+32.9	3594.0	3559.1	7,764	25,959
Aug	3600.0	3602.3	–31.0	3600.0	3631.0	3	261

– Sat Jul 20: Taiwan Weighted Price 6210.81; Korea Comp Ex 840.06. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL 30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ¶ IBIS/DAX after-hours index: Jul 23 - 2488.82 +20.50.

US INDICES

Dow Jones	Jul 22	Jul 19	Jul 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5390.94	5426.82	5464.18	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	101.87	101.83†	101.50	106.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1983.42	2018.81	2031.94	2298.28 (22/5)	1862.71 (18/1)	2298.28 (22/5/96)	12.32 (8/7/32)
Utilities	209.81	211.43	213.32	234.86 (12/2)	205.42 (7/5)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5446.05 (5490.44) Low 5345.92 (5393.53) (Theoretical♦)
Day's high 5428.82 (5468.99) Low 5388.48 (5409.05) (Actual♦)

Standard and Poors	Jul 22	Jul 19	Jul 18	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	633.77	638.73	643.56	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	780.77	787.06	792.47	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	64.80	64.85	65.51	68.86 (5/3)	58.67 (10/1)	68.86 (5/3/96)	8.64 (1/10/74)
NYSE Comp.	340.22	342.91	345.10	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (28/4/42)
Amex Mkt Val	542.97	548.76	551.83	614.99 (22/5)	525.60 (18/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Cmp	1081.55	1087.68	1108.82	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Jul 19	Jul 12	Jul 5	Year ago
Dow Jones Ind. Div. Yield	2.30	2.25	2.22	2.46
	Jul 17	Jul 10	Jul 3	Year ago
S & P Ind. Div. yield	2.32	2.03	na	2.07
S & P Ind. P/E ratio	18.63	21.97	na	18.68

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
AT & T	5,856,800	51⅛	-1⅝
Nabridge Nt	4,195,500	42½	-6½
Mirage	4,181,500	20¾	-⅜
Merck & Co	3,189,500	65⅝	+1
Sunbeam	3,184,100	18¼	-¼
Motorola	2,687,000	53⅜	-⅝
Chrysler	2,511,100	28⅝	-¼
Sears Rock	3,185,000	32⅜	+1¼
Healthsouth	2,425,100	30½	-½
Portland	2,381,300	35½	+7

TRADING ACTIVITY

● Volume (million)	Jul 22	Jul 19	Jul 18
New York SE	327.745	402.243	469.646
Amex	17.282	19.379	26.328
NASDAQ	429.135	544.208	651.834
NYSE			
Issues Traded	3,145	3,133	3,167
Rises	636	953	1,680
Falls	1,765	1,390	619
Unchanged	744	798	868
New Highs	20	22	32
New Lows	55	27	37

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Sep	637.45	637.75	+0.20	639.50	636.20	80,041	171,147
Dec	645.20	643.40	+0.05	645.20	642.20	175	8,069

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Sep	20990.0	21130.0	+120.0	21190.0	20870.0	23,064	229,582
Dec	21110.0	21060.0	–290.0	21120.0	21000.0	1,704	8,449

Open interest figures for previous day.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

TOKYO - MOST ACTIVE STOCKS: Tuesday, July 23, 1996

	Stocks Traded	Closing Prices	Change on day
Kobe Steel	6.6m	282	-5
Nippon Stl Corp	6.5m	344	+2
Mitsubishi Hvy	4.8m	892	-8
NKK Corp	4.2m	301	+2
Kawasaki Steel	3.4m	375	+13
Toshiba Corp	3.0m	724	+2
NEC Corp	3.0m	1110	
Bk Tk-M'bishi	2.8m	2290	
Daiichi Kgyo B	2.8m	1810	+10
Nomura Secs	2.7m	1910	+20

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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NEW YORK STOCK EXCHANGE PRICES

4 pm close July 23

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg Prev. Close
23¾	17⅞	AAR	0.48	2.5	18	1879	19½	19¼	19¼	-⅛
46⅛	36⅛	AMP	1.00	2.7	16	4889	37⅝	36½	36⅝	-⅞
97½	68	AMR			15	14709	79¾	78⅛	79	+1½
50½	37⅞	ASA	1.80	4.6	25	371	39¼	38⅞	38¾	-⅜
45¼	38⅛	AbbotL x	0.96	2.2	19	11519	44⅜	43⅝	43⅝	-¾
17¼	12¼	Abitibi Pr	0.40	3.1	6	948	13	12⅞	12⅞	-¼
40⅜	27	ABM Ind	0.70	1.9	18	296	37⅜	36¾	36¾	-½
18⅝	13⅞	Acceptcein			46	125	18	17⅝	17⅝	-½
50⅛	37¾	ACE Ltd	0.56	1.3	10	2804	43⅜	41⅞	43⅜	+½
9⅞	9⅛	ACM Gvt In	0.90	9.2	8	250	d9⅞	9¾	9¾	-⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		23	7⅛	7	7	-⅛
7¼	6	ACM Gvt Sp	0.66	10.2		213	6⅝	6½	6½	
9⅛	8¼	ACM Gvt Sc	0.90	10.4		165	8⅝	8½	8⅝	+⅛
9½	8⅞	ACM Man	0.90	10.3		411	8¾	8⅝	8¾	
13⅞	6⅛	Acme Elect			40	28	7¾	7⅝	7⅝	-⅜
33¾	27¾	Acordia	0.80	2.5	19	33	31½	31⅜	31⅜	-⅛
21⅜	12	Acuson			60	250	13½	13⅛	13¼	-⅛
19½	17⅞	Adams Expr	0.48	2.6	0	350	18⅜	18¼	18¼	-⅛
21¼	10½	AdvMic			6	6475	11⅛	d10½	10¾	-⅛
11⅛	8½	Advest Grp	0.15	1.6	7	108	10¼	9⅞	9⅞	-¼
26⅛	9⅛	Advo Inc	0.10	1.1	52	126	9½	d9⅛	9½	+¼
50⅜	41⅛	Aegon	1.19	2.7	13	73	44¼	43⅞	43⅞	-⅞
6¾	3½	Aerflx			3	276	5⅛	4⅞	4⅞	
78¾	55⅜	Aetna	2.76	4.4	16	15867	62½	61⅛	62⅛	
33	26¼	Aflac	0.40	1.4	12	2450	29⅝	29	29½	+¼
20⅜	17⅛	AGL Res	1.08	6.0	15	332	18	17¾	17¾	
28	21¼	Ahmanson	0.88	3.6	6	2885	24⅞	24⅛	24½	-¼
60⅞	50⅜	AirPrC	1.10	2.1	14	3273	54⅜	53⅛	53⅜	-¼
28⅜	21	Airbne Frt	0.30	1.4	20	3812	23	d21	21⅞	-2
22½	15½	Airgas Inc			33	404	20	19⅝	19⅞	+⅛
18⅞	15	Airlease	1.80	11.2	10	66	16⅛	16	16	-⅛
33⅝	25	AirTch			86	4572	26½	25¼	25⅝	-½
30¾	15⅞	Alaska Air	0.20	0.8	8	1937	24⅛	23⅜	23⅝	+½
22⅝	17¼	Albany Int	0.40	2.1	12	580	19⅜	19¼	19¼	-⅛
24⅛	14¾	Alberti	0.22	1.5	5	1987	16	d14¾	14⅞	-⅞
47½	32½	AlbCuB	0.36	0.8	21	444	44⅛	42⅝	42⅞	-⅞
40¼	29⅝	AlCulvr A	0.36	1.0	18	237	37⅝	36⅜	36⅜	-1⅛
42¾	31½	Albtsn	0.60	1.5	20	4367	40⅞	39⅛	39⅞	+⅝
34⅛	28⅛	AlcnAl	0.60	2.1	12	2507	29⅝	29	29⅛	-⅜
66	37⅞	AlcoSt	0.56	1.3	28	3396	43½	42⅛	42⅞	+⅜
60½	39¼	AlexBrown	0.80	1.8	5	581	46½	43⅞	44	-1½
21⅝	16¾	AlexAl	0.10	0.6	22	404	18⅛	17¼	17½	+¼
21⅜	17⅞	Allegh Lud	0.52	2.8	12	7106	19	18⅝	18⅝	-½
31	28	AllegP	1.68	5.8	15	1380	29⅞	29¾	29⅞	-⅛
28⅞	16⅛	Allen Grp	0.20	1.1	16	368	18⅞	17⅞	17⅞	-⅝
41	30⅝	Allergan	0.48	1.2	26	3587	40½	39⅞	40⅛	-⅛
25¾	21⅜	Allnce Cap	1.93	7.8	12	379	25	24⅝	24⅝	
13⅞	10	Allnce Gl	0.18	1.6		347	11¾	11½	11½	-¼
34⅝	29¾	All Irish	1.23	4.0	9	46	31	30⅝	30¾	
60⅜	47⅛	AldSig	0.90	1.6	17	10925	58¼	57⅜	57¾	+1⅞
10⅞	9½	Allmer	0.84	8.7		97	9⅝	d9½	9⅝	+⅛
46¾	37¾	Alstate	0.85	2.0	10	6923	43½	41¾	42⅜	-¼
35⅝	26⅝	Alltel Crp	1.04	3.8	14	2957	27¼	d26⅝	27½	-¼
9½	3⅞	Almeida			62	278	4½	4⅜	4⅜	-⅛
27⅞	18⅞	AlpharmaA x	0.18	0.9	21	179	19⅝	19	19	-⅜
30⅝	26⅝	Alumax			5	1283	29⅞	29½	29½	-¼
66¼	49⅛	Alcoa	0.90	1.6	14	4052	56½	55⅝	55⅝	-¼
34¾	24	Alza Cp A			25	2330	25⅞	25	25⅛	-¼
6⅞	5½	AmGvInc	0.42	7.1		339	5⅞	5¾	5⅞	
13¾	10¾	Am Precis	0.26	2.2	15	72	12⅛	12	12	-⅛
9⅝	5¼	AmsoGld	0.08	1.5	17	1609	5⅝	5⅝	5½	

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FINANCIAL TIMES

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NYSE PRICES

4 pm close July 23

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NASDAQ NATIONAL MARKET

4 pm close July 23

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AMEX PRICES

4 pm close July 23

AMERICA

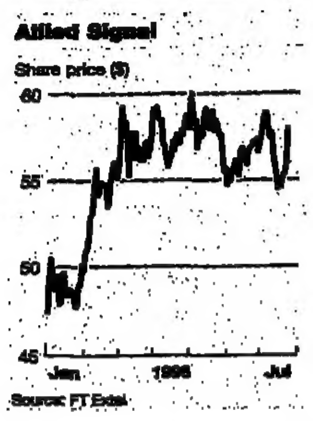
Dow stable but techs slide continues

Wall Street

US share prices were mixed in midsession trade as technology shares continued to tumble, while other sectors were flat or modestly stronger, *writes Lisa Bransten in New York.*

The Nasdaq composite, which is about 40 per cent technology shares, gave up another 9.81 at 1,071.58, bringing its losses since its record high set on June 5 to nearly 178 points, or 14 per cent.

Disappointment with the second quarter earnings report, issued by Microsoft after the market closed on Monday, sparked yesterday's declines.



Shares in the software giant, the largest company on the Nasdaq, fell $4⅞ at $114⅞, although its earnings of 87 cents a share were 2 cents ahead of analysts' expectations. Many investors, however, had hoped that Microsoft would beat estimates by more than 2 cents.

The sell-off at Microsoft led to nerves among other large cap technology stocks. Of the next three largest companies on the Nasdaq, Intel shed $1⅝ at $70⅝, Cisco Systems lost $2 at $48⅝ and Oracle was $⅛ weaker at $36⅝.

Technology stocks, which had soared in recent months as investors bet on enormous growth in emerging technologies, were also weaker. Iomega tumbled $2⅝ to $17¼, Netscape lost $3¼ at 443 and $43 and Cybercash $3¼ to $35.

In other areas, shares were mixed as investors turned to companies with strong earnings growth.

Allied Signal, which is one of the 30 companies in the Dow Jones Industrial Average, added $2 to the $⅛ it rose on Monday after presenting an optimistic outlook for next year, bringing the shares to $57⅞.

At 1 pm the Dow was up 4.44 at 5,395.38, while the Standard & Poor's 500 fell 2.06 at 631.71. The American Stock Exchange composite added 1.55 at 544.52. Volume on the New York Stock Exchange came to 207m shares.

Other shares which rose after reporting stronger than expected earnings included RJR Nabisco, $¼ stronger at $39¼ and UAL, the parent company of United Airlines, which climbed $2 at $47¼.

PepsiCo, gained $⅝ at $33⅝, after reporting earnings that were exactly in line with analysts' projections.

Canada

Toronto was steady at midsession, with the TSE-300 composite index 4.28 weaker at 4,967.40 in volume of 30.3m shares.

Among individual stocks, Bre-X Minerals, the gold prospector, jumped C$1.35 to C$25.70 after one analyst estimated that its Busang discovery in Indonesia might hold roughly 150m ounces of gold, which surpassed earlier expectations. Banks remained in focus with Bank of Montreal 5 cents easier at C$33.20 while Bank of Nova Scotia picked up 5 cents to C$33.60.

Mexico City edges ahead

Mexico City edged higher at midsession, as investors looked forward to a decline in primary interest rates at the Cetes auction later in the day. The IPC index was 13.03 higher at 3,027.92, also deriving some support from the rise on Wall Street.

Banacci B were up 2.6 per cent 14.38 pesos after the financial group reported on Monday that profits rose 25 per cent in the second quarter, compared with the first three months of the year.

SANTIAGO held on to early gains on hopes that interest rates could fall after a welter of figures pointed to a sharp slowdown in economic growth.

The selective IPSA index was up 0.28 at 101.66 at midsession.

Santa Isabel, the Valparaiso-based supermarket chain which said on Monday that it had bought a local supermarket group, Marmentini, for $19.5m, rose 1.3 per cent to 780 pesos.

S Africa industrials mixed

Johannesburg ended mixed. Industrial stocks staged a considerable fightback after a sharp opening drop as investors became spooked by opening steep losses in the rand and bond markets.

The gold board continued its recent desultory performance, dashing expectations of a robust rally on the back of the weakened rand and an improving gold price.

The overall index fell 31.1 at 6,752.6, industrials lost 14.4 to 7,967.1, having been 55 points down in intraday trade, and gold edged 6.5 higher to 1,791.7.

Analysts noted that foreigners, who had been net buyers of JSE shares worth almost R5bn since the beginning of the year, were among the day's leading sellers.

Among active industrial shares, Iscor, the steelmaker, dropped 6 cents to a year's low of R2.96.

De Beers gained R1.25 to R147.25, while the mining and investment house, JCI, closed flat at R43.00 ahead of reporting a 42 per cent jump in net profit for the fiscal fourth quarter, ended June 30.

Among the golds, Gold Fields collected 100 cents to R122 and H.J. Joel Gold Mining gained 10 cents to R4.80.

EUROPE

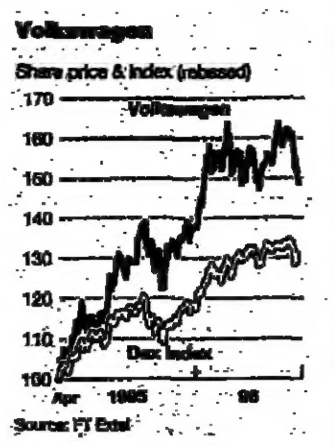
Hopes and fears move Frankfurt stocks, sectors

Apart from the Dow's weight on the broad market seesaw, hopes and fears moved stocks and sectors in FRANKFURT, *with banks up ahead of the* impending quarterly earnings season, and Volkswagen depressed for most of the day by a business magazine report.

Among banks, where Deutsche Bank rose DM1.01 to DM74.26 and Bayernhypo by 69 pfg to DM42, Bayernverein led with a gain of DM1, or more than 2 per cent to DM50.30 ahead of today's news conference on its half year figures.

VW had suffered on Monday with a fall of DM8.70 to DM518.10, in line with the underperformance of a number of blue chip cyclicals. Yesterday, when the Dax recovered 20.50 to an Ibis-indicated 2,488.82, the carmaker hit DM511.50 at one point before closing just 70 pfg lower at DM517.40.

Capital magazine said that VW had revised its internal 1996 pre-tax profits estimate down from DM1.5bn to DM1bn, due to write-offs at the Czech subsidiary, Skoda, to the cost of model recalls and to the conflict with the EU over subsidies for VW's eastern German plant near Chemnitz in Saxony. Analysts noted that the carmaker, after a long upward run, had already come back from a peak of DM574.10 in mid-June.



Outside the Dax 30, there was concern when KHD, the engineering group bailed out by its creditors in June, made a second postponement of its annual general meeting, this time from August 23 to September 10. The shares dropped 36 pfg, or 5.6 per cent, to DM6.10.

PARIS added Wall Street to a morning technical recovery, and the CAC-40 index closed 21.9, or 1.1 per cent higher at 1,982.23 in turnover of FFr4.19bn.

Once again, there was a wealth of individual situations. The pay television group, Canal Plus, ended FFr35, or 3.1 per cent higher at FFr1,169 on news that the group and its ally, Mr Rupert Murdoch, were participating in talks with Bertelsmann and Mr Leo Kirch about German satellite digital television. Havas, which has a 23.5 per cent stake in Canal Plus, rose FFr9.40, or 2.6 per cent to FFr369.50.

Docks de France was still suspended after accepting a sweetened bid from Auchan; but other retailers rallied, with Carrefour and Promodes up 2.6 and 2.5 per cent respectively, and Casino FFr6.20, or 3.1 per cent better at FFr204.70.

The day's disappointments included the Eurostocks, Euro Disney closing FFr1.25, or 9.4 per cent, lower at FFr12.10 although brokers said that its higher third quarter profits were in line with expectations; and Eurotunnel, 35 centimes, or 4.1 per cent off at FFr8.15 on the approach of the company's self-imposed deadline for debt restructuring talks.

ZURICH made a modest recovery after Monday's 2.6 per cent dive, but investors were cautious ahead of the day's testimony by the Fed chairman to the US Congress. The SMI index rose 19.1 to 3,583.2.

Nestlé erased some of the previous session's sharp losses, rising SFr21 to SFr1,382. Drug stocks also rebounded convincingly, Roche certificates rising SFr85 to SFr9,125 and Ciba by SFr8 to SFr1,448.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Jul 23 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1614.59	1616.10	1616.45	1616.83	1616.47	1615.58	1615.98	1615.92
FT-SE Eurotrack 200	1662.51	1664.29	1665.53	1666.53	1667.00	1666.58	1666.98	1665.99

	Jul 22	Jul 19	Jul 18	Jul 17	Jul 16
FT-SE Eurotrack 100	1618.06	1638.47	1631.33	1624.61	1624.77
FT-SE Eurotrack 200	1661.06	1680.59	1671.26	1663.77	1668.80

Base value 1000 (26/10/90); Highday: 100 - 1617.96; 200 - 1669.72 Lowday: 100 - 1614.59 200 - 1661.74. † Partial

Financials, by contrast, remained under pressure, but with a SFr4 fall in UBS to SFr1,211 attributed to program-linked selling.

Attisholz, whose shares plunged on Monday after a weekend fire at one of its paper factories, recouped SFr20 to SFr530.

MILAN largely reversed early loses to scramble into positive territory by the close, helped by Wall Street's firmer opening. The Comit index registered a 0.48 dip at 616.24, while the real-time Mibtel index picked up from a low of 9,765 to finish 26 ahead at 9,865.

Analysts said that preliminary July inflation figures, released on Friday and Monday by 10 cities, were positive, but were largely ignored as investors awaited a move by the Bank of Italy to cut interest rates.

Mediaset, the television and advertising company, slipped another L210 to L7,080 on continued concerns about government proposals which could sharply reduce its revenues. The shares, which were floated at L7,000 and began trading on the bourse on Monday of last week, peaked at L7,745 last Thursday.

A L13.6 fall in Olivetti to L785.6 was attributed to reports that Compaq planned to cut its personal computer prices.

Among mostly stronger banks, Ambroveneto rose L53 to L3,922 as it reported higher first half gross operating profits and confirmed Mr Corrado Passera, formerly with Olivetti, as its new managing director and director general.

AMSTERDAM struggled, the AEX index closing 0.21 lower at 525.41, after a low of 522.67, although Royal Dutch closed Fl 1.70 higher at Fl 253.20 after higher second quarter results from its US subsidiary, Shell Oil. Brokers said that the approaching Dutch corporate results season, which kicks of with Polygram today and Philips tomorrow, would be a key factor in determining market sentiment.

MADRID shadowed Wall Street, the general index rising 2.24 to 355.69 in thin trade. Total turnover was around Pta26bn, of which Pta6bn were put-throughs. *STOCKHOLM*, on the other hand, did not believe what it saw of the US equity revival and the Affärsvärlden General index fell 6.0 to 1,886.8. The drugs sector was the only one to post gains on the day, and it rose by just 0.16 per cent.

HELSINKI was enlivened by renewed demand for Raision Tehtaat, the food, animal feed and chemicals group, after a US press report about its cholesterol busting Benecol margarine raised the prospects of higher foreign demand for the stock. Raisio jumped FM13 or 4.2 per cent to FM323 in an otherwise flat market which saw the Hex index ease 0.43 to 1,984.12.

MOSCOW traders believed they were entering a second correction phase following the Yeltsin re-election boom. The RTS-21 index fell 3.94, or 2.5 per cent to 155.57 after a 2.2 per cent drop on Monday.

Written and edited by William Cochrane and Michael Morgan

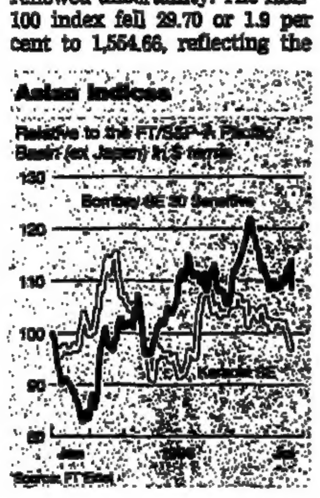
ASIA PACIFIC

Bombay tumbles 3.8% as budget imposes new taxes

A reconsideration of of Monday's budget left BOMBAY 3.8 per cent down as it became clear that the measures would impose new taxes on industry, but give only token relief. The BSE-30 index tumbled 144.52 to 3,663.08, *led down by leading* companies like Reliance and Tisco which faced sharply higher taxes. Tisco fell Rs22.50 to Rs203.50 and Reliance dropped Rs20.75 to Rs229.

ACC dropped Rs110.25 to Rs2,072.25 as analysts recommended investors to underweight cement stocks.

KARACHI, too, fell heavily after Monday's bomb attack at Lahore airport, which killed at least four people, whipped up renewed uncertainty. The KSE-100 index fell 29.70 or 1.9 per cent to 1,554.66, reflecting the market's broadly based decline.



Tokyo

The Nikkei average closed higher for the first time in three trading days, although it broke below 21,000 for a time after more foreign selling, *writes Emiko Terazono in Tokyo.*

The 225 index rose 158.06 to 21,163.69 after moving between 20,832.90 and 21,164.19. Equities were affected by the overnight decline on Wall Street, and the rise in the yen, and the index slipped below the 21,000 level for the first time since March 27. But it recovered in the afternoon after index-linked buying by investment funds.

Volume totalled 313m shares against 317m. Foreigners remained sellers, partly due to *the weakness of US shares.* Arbitrage linked trading led activity which remained weak ahead of the congressional testimony by Mr Alan Greenspan, chairman of the US Federal Reserve Board.

The Topix index of all first section stocks gained 6.47 at 1,609.70 and the Nikkei 300 1.41 at 297.26. In spite of this, losers led gainers by 579 to 463, with 177 unchanged.

In London, the ISE/Nikkei 50 index was down 0.37 at 1,412.36. Brokers bounced back, Nomura Securities recovering Y20 to Y1,910 and Nikko Securities Y10 to Y1,130. Banks were also higher, Industrial Bank of Japan adding Y20 to Y1,910 and Dai-Ichi Kangyo Y10 at Y1,810.

Car stocks, sold heavily by overseas investors over the past few weeks, rebounded. *Toyota Motor gained Y20 to* Y2,490 and Honda Motor Y10 to Y2,540.

Steels and shipbuilders, mixed, led active stocks. Kobe Steel, the most active of the day, fell Y5 to Y282 while Nippon Steel gained Y2 to Y344. Mitsubishi Heavy Industries declined Y8 to Y892 and NKK added Y2 to Y301.

State owned companies were higher. East Japan Railway rose Y12,000 to Y564,000, Japan Tobacco added Y8,000 to Y825,000 and Nippon Telegraph and Telephone gained Y1,000 to Y781,000.

In Osaka, the OSE average fell 135.40 to 22,220.30 in volume of 15.7m shares.

Roundup

US influences depressed other markets. TAIPEI, out of momentum in domestic terms, was weakened further by Wall Street's overnight decline and the weighted index ended 72.92, or 1.2 per cent lower at 6,086.16 in modest turnover of T$32.62bn.

The plastics and textiles sectors, both big winners during a recent rise in the market, suffered heavy profit-taking and fell by 2.3 and 2.2 per cent respectively. Formosa Chemical Fibre dropped T$1.70, or 5.2 per cent to T$31.50, while Nan Ya Plastics lost T$2, or 3.8 per cent at T$51.

HONG KONG shook off early weakness to end near the session's high as demand for leading banks gathered steam on expectations of strong first half profits, to be reported early next month.

The Hang Seng index ended up 67.02 ahead at 10,865.31, in thin turnover of HK$3.8bn. HSBC, forecast to post 14-15 per cent profits growth, finished HK$1.50 higher at HK$123. Hang Seng Bank gained HK$1 to HK$77.25.

Among stocks making debuts on the exchange, *Guangdong Kelon*, the refrigerator maker that was the latest entrant into the H-share category, ended at HK$3.125, compared with an IPO price of HK$3.67. The weakness was attributed to the stock's relatively high p/e and concern over earnings growth. However, Stime Watch International, a Hong Kong-based company, ended its first day at HK$1.27 against an issue price of HK$1.

SINGAPORE picked itself up from a new intraday low for the year, but still finished weak with foreign investors said to be trimming their holdings and switching to other Asian markets, notably Taiwan and Korea. The Straits Times Industrials index, which dipped at one stage top 2,175.34, finished 4.59 down at 2,169.47.

SEOUL saw follow-through buying of small and medium capitalised shares, but blue chip manufacturers remained weak. The composite index was 0.03 higher at 838.78, but the small cap sub-index rose 21.49 to 2,045.93.

Among the smaller cap shares shares to close at all-time highs on strong earnings prospects, Daesung Resources closed at Won106,000, up Won6,000, Sungmi Telecom Electronics rose Won12,500 to Won227,500 and Chang Won Carbureter Industrial added Won2,600 to Won47,100.

MANILA closed sharply lower as investors awaited Mr Greenspan's testimony later yesterday, and worried about interest rate prospects. The composite index fell 47.32, or 1.5 per cent to 3,170.10.

SYDNEY's professionals were reluctant to become involved ahead of the Greenspan testimony and the AllOrdinaries index lost 18.8 at 2,136.0 in thin turnover of A$419.4m. News Corp hit a 15 month low on the US New World acquisition, falling 20 cents to A$6.25.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FT-SE International and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY JULY 22 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY JULY 19 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (80)	195.24	-0.1	186.76	132.92	150.86	164.20	-0.1	4.40	195.50	187.30	133.76	151.29	164.39	212.18	177.98	180.60
Austria (24)	177.34	-0.9	169.63	120.73	137.03	136.96	-1.0	2.05	178.88	171.38	122.39	138.43	138.36	196.82	168.11	196.48
Belgium (27)	209.39	-0.7	200.29	142.55	161.80	159.20	-0.8	4.21	210.91	202.07	144.30	163.22	159.44	215.81	186.06	197.31
Brazil (28)	179.20	-1.4	171.42	122.00	138.47	332.27	-1.4	1.96	181.67	174.05	124.29	140.59	336.94	189.70	123.97	137.57
Canada (120)	157.45	-0.8	150.61	107.19	121.67	155.95	-0.7	2.30	158.66	152.00	108.55	122.78	157.03	165.12	134.14	147.33
Denmark (30)	308.63	-0.2	295.23	210.11	238.48	240.63	-0.4	1.91	309.34	296.36	211.64	239.38	241.49	309.34	275.69	283.85
Finland (23)	191.92	-0.1	183.59	130.66	148.30	182.14	-0.1	2.74	192.18	184.12	131.48	148.72	182.39	276.11	171.73	249.69
France (96)	188.12	-1.3	179.95	128.07	145.36	148.45	-1.5	3.25	190.69	182.60	130.40	147.49	150.73	198.39	167.70	186.03
Germany (59)	170.81	-1.3	163.39	116.28	131.98	131.98	-1.5	1.88	173.10	165.84	118.43	133.95	133.95	174.38	155.66	164.67
Hong Kong (59)	418.96	-0.7	400.76	285.22	323.73	416.03	-0.7	3.44	421.72	404.03	288.53	326.35	418.92	451.19	348.81	369.08
Indonesia (27)	205.43	-0.3	196.50	139.85	158.73	293.51	-0.3	1.56	205.97	197.32	140.91	159.39	294.46	–	–	–
Ireland (16)	274.45	-0.2	262.53	186.84	212.07	240.19	-0.4	3.57	274.98	263.43	188.12	212.78	241.26	290.82	235.58	239.49
Italy (58)	78.14	-0.4	74.74	53.19	60.38	87.95	-0.8	2.52	78.44	75.15	53.67	60.70	88.67	84.53	67.22	78.22
Japan (481)	148.83	-1.2	142.37	101.32	115.00	101.32	-1.7	0.76	150.64	144.32	103.06	116.57	103.06	164.88	137.75	150.37
Malaysia (107)	550.46	-1.3	526.55	374.75	425.34	527.67	-1.3	1.70	557.81	534.40	381.63	431.66	534.65	585.09	425.77	544.69
Mexico (18)	1150.90	-1.4	1100.91	783.52	889.31	9605.50	-1.1	1.38	1167.00	1118.04	798.42	903.06	9712.43	1325.65	791.99	1182.79
Netherland (19)	286.08	-1.4	273.65	194.76	221.06	217.53	-1.4	3.31	289.99	277.82	198.40	224.41	220.92	298.69	245.79	258.33
New Zealand (15)	80.87	0.3	77.35	55.05	62.49	61.76	0.0	4.38	80.65	77.26	55.18	62.41	61.77	84.71	75.94	83.73
Norway (35)	249.70	-0.4	238.85	169.99	192.95	216.69	-0.8	2.09	250.79	240.27	171.58	194.08	217.89	258.94	222.24	236.76
Philippines (22)	211.45	0.0	202.26	143.95	163.38	276.03	0.0	0.55	211.43	202.56	144.65	163.62	276.01	–	–	–
Singapore (44)	394.71	-1.4	377.57	268.71	305.00	258.20	-1.3	1.47	400.45	383.65	273.98	309.89	261.55	465.21	355.81	387.30
South Africa (44)	349.01	-0.6	333.85	237.60	269.69	335.02	-0.6	2.21	351.27	336.53	240.33	271.83	337.05	437.76	338.16	344.37
Spain (37)	175.54	-1.4	167.92	119.51	135.64	166.99	-1.4	3.49	178.04	170.57	121.81	137.77	169.41	183.85	145.15	152.33
Sweden (48)	341.77	-1.1	326.92	232.67	264.08	333.68	-1.4	2.58	345.64	331.14	236.48	267.48	338.28	360.77	260.13	283.04
Switzerland (37)	240.81	-2.1	230.35	163.94	186.07	180.51	-2.7	1.64	246.09	235.77	168.37	190.44	185.60	252.34	191.24	201.64
Thailand (45)	155.84	-1.8	149.18	106.16	120.49	153.06	-1.9	2.16	158.78	152.12	108.63	122.87	155.94	193.95	146.74	172.96
United Kingdom (199)	231.30	-0.6	221.25	157.46	178.73	221.25	-0.8	4.24	232.71	222.94	159.21	180.06	222.94	237.49	216.62	220.27
USA (626)	257.85	-0.8	246.65	175.54	199.24	257.85	-0.8	2.29	259.85	248.95	177.78	201.09	259.85	276.47	225.96	225.96
Americas (792)	236.05	-0.8	225.79	160.70	182.40	198.48	-0.8	2.28	237.81	227.82	162.77	184.10	200.08	252.48	207.38	207.38
Europe (708)	206.99	-1.1	198.00	140.92	159.94	178.29	-1.3	3.17	209.19	200.41	143.12	161.88	180.57	213.30	189.33	194.30
Nordic (195)	297.58	-0.8	284.63	202.57	229.92	254.33	-1.0	2.42	299.99	287.30	205.17	232.07	256.79	308.81	261.13	272.64
Pacific Basin (880)	161.59	-1.1	154.57	110.01	124.86	112.34	-1.5	1.22	163.39	156.54	111.79	126.44	114.04	177.01	148.86	160.97
Euro-Pacific (1588)	180.40	-1.1	172.56	122.81	139.39	137.31	-1.4	2.15	182.36	174.71	124.77	141.12	139.23	190.57	166.51	174.76
North America (746)	251.75	-0.8	240.82	171.39	194.59	251.12	-0.8	2.29	253.71	243.06	173.58	196.33	253.05	269.52	221.09	221.09
Europe Ex. UK (509)	199.72	-1.2	190.53	128.48	145.83	153.20	-1.5	2.60	191.19	183.17	130.81	147.96	155.58	194.86	169.65	175.71
Pacific Ex. Japan (399)	279.61	-0.7	267.46	190.35	216.05	241.14	-0.7	3.06	281.56	269.77	192.65	217.90	242.85	298.68	243.59	262.13
World Ex. US (1798)	181.69	-1.1	173.80	123.69	140.40	141.82	-1.3	2.15	183.64	175.94	125.64	142.11	143.75	191.55	167.36	175.66
World Ex. UK (2225)	202.51	-1.0	193.71	137.87	156.48	170.59	-1.1	2.01	204.50	195.92	139.91	158.25	172.55	213.05	185.61	188.06
World Ex. Japan (1943)	236.07	-0.9	225.82	160.71	182.41	222.39	-0.9	2.64	238.13	228.14	162.92	184.26	224.46	247.55	212.82	213.98
The World Index (2424)	205.05	-0.9	196.14	139.59	158.44	175.21	-1.1	2.21	207.00	198.31	141.62	160.18	177.17	214.85	186.49	190.88